

# State of Georgia

COMPREHENSIVE ANNUAL FINANCIAL REPORT JUNE 30, 2005

# **State of Georgia**

**SONNY PERDUE, GOVERNOR**

## **Comprehensive Annual Financial Report June 30, 2005**

**Prepared by  
State Accounting Office**



# State of Georgia

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# INTRODUCTORY SECTION

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December 23, 2005

The Honorable Sonny Perdue  
Governor of Georgia  
and  
Members of the General Assembly  
Citizens of the State of Georgia

The Comprehensive Annual Financial Report of the State of Georgia for the year ended June 30, 2005, is hereby submitted in accordance with the Official Code of Georgia Annotated 50-50b-3(7) . Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

**Format and Content of Report.** The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, an organization chart and a listing of principal officials. The Financial Section contains the State Auditor's report; Management's Discussion and Analysis (MD&A); the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds and fiduciary funds, together with notes to the Basic Financial Statements; Required Supplementary Information, which includes budgetary comparison schedules; and supplementary financial data, which includes combining financial statements and schedules for individual funds. The Statistical Section provides a history of selected financial and demographic information.

This report presents information on the financial position and operations of state government as one reporting entity. The various agencies, departments, boards, commissions and other organizational units of Georgia state government which constitute the State financial reporting entity are included in the Comprehensive Annual Financial Report in accordance with criteria established by the Governmental Accounting Standards Board. Accordingly, this report contains information on Georgia's *primary government*, and on *component units* that are financially accountable to the State.

**Internal Controls.** Management of the State is responsible for establishing and maintaining internal accounting controls designed to ensure that assets are safeguarded and that financial transactions are properly recorded and adequately documented. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

**Independent Audit.** The financial statements of the organizations comprising the State reporting entity have been separately examined and reported on by either the State Auditor or independent certified public accountants. The accompanying financial statements for the State of Georgia have been prepared from the results of those examinations. The State Auditor's opinion thereon appears at the beginning of the Financial Section of this report.

Federal laws and regulations require that the State undergo an annual audit in conformity with the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to the single audit, which includes a schedule of expenditures of federal awards, a report on internal control and compliance applicable to each major program, and a schedule of findings and questioned costs, is included in a separately issued State of Georgia Single Audit Report. Also included is a report on internal control over financial reporting and compliance with certain laws, regulations, contracts and grants in accordance with *Government Auditing Standards*.

**Management's Discussion and Analysis (MD&A).** The discussion and analysis immediately following the report of the independent auditors provides an overview and analysis of the State's Basic Financial Statements, with a focus on the primary government and its activities. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## PROFILE OF THE GOVERNMENT

**Structure.** The Constitution of the State of Georgia provides the basic framework for the State's government, which is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the Constitution and in the Official Code of Georgia Annotated. State government services provided to citizens include education, health and welfare, transportation, public safety, economic development, recreation and conservation.

**Budgetary Control.** The objective of budgetary control is to ensure compliance with legal provisions embodied in the General Appropriations Act enacted by the General Assembly. Annual appropriated budgets are adopted at the departmental level and are applicable to the general, debt service and capital projects funds. All unencumbered annual appropriations lapse at fiscal year end unless otherwise specified by the Constitution or statute. The Constitution further authorizes the passage of additional Supplementary Appropriation Acts for specific purposes, provided sufficient unappropriated funds are available or additional revenue measures have been enacted. Federal funds received by the State are continually appropriated in the exact amounts and for the purposes authorized and directed by the awarding federal agency.

The budgetary basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with generally accepted accounting principles (GAAP). In addition, the fund structure utilized to implement the annual budget differs extensively from the fund structure presented in these financial statements.

The separately published Report of the State Auditor is issued annually. The sole purpose of the Report of the State Auditor is to provide the General Assembly with information concerning financial compliance with the Amended Appropriations Act for the fiscal year. In contrast to issuing financial statements in accordance with generally accepted accounting principles, the financial statements presented in the Report of the State Auditor are reported in conformity with statutory requirements.

## FACTORS AFFECTING FINANCIAL CONDITION

**Cash Management.** The State Depository Board is designated by State law as the oversight Board for Georgia's cash management and investment policies. The Office of Treasury and Fiscal Services ("OTFS") acts as the administrative agent of the Board. As more fully discussed in Notes 1 and 3 to the Basic Financial Statements, OTFS invests temporarily idle cash in statewide investment pools. All such funds are invested considering first the probable safety of capital and then probable income, while meeting daily cash flow requirements and conforming to all statutes governing the investment of public funds.

**Debt Administration.** The Georgia State Financing and Investment Commission, an agency of the State, is empowered by law to receive the proceeds from the issuance of State of Georgia general obligation and guaranteed revenue debt from the State, to provide for the proper application and use of the debt proceeds, and to establish the procedures for protecting the holders of such debt. Under the Constitution of the State of Georgia, the highest aggregate annual debt service (principal and interest) for all outstanding general obligation and guaranteed revenue debt may not exceed 10 percent of the previous fiscal year's revenue collections. The highest total annual commitments at June 30, 2005, were 6.01 percent of the 2004 revenue collections. At June 30, 2005, outstanding general obligation debt issues of the State of Georgia totaled \$6,183,865,000 and outstanding guaranteed revenue bonds issued by certain discretely presented component units were \$745,173,466. Subsequent to June 30, 2005, the State issued an additional \$610,715,000 of general obligation debt and \$425,000,000 of general obligation refunding debt.

At June 30, 2005, the State of Georgia maintained the following investment service bond ratings:

Moody's Investors Service	Aaa
Standard & Poor's Corporation	AAA
Fitch's Investor's Service, Incorporated	AAA

Further detailed information on outstanding bonds is reflected in the Financial Section, Notes to the Financial Statements and Statistical Section of this report.

**Pension Trust Funds.** Total net assets of the State's pension plans reached \$60,293,058,105 at June 30, 2005. Of the State's fifteen (15) pension trust funds, the Employees' Retirement System and the Teachers' Retirement System represent more than 96% of the total net assets. Financial activities of the pension trust funds are presented in fund level financial statements for fiduciary funds. Additional disclosures relating to the State's pension funds are provided in Note 15 to the basic financial statements.

**Risk Management.** The State is self-insured against certain property and liability claims, including workers' compensation and unemployment compensation. The Risk Management Funds accumulate reserves for certain property and liability risks and pay for commercial insurance coverage. Revenues are generated from premiums charged to state and local government organizations. Various risk control techniques are utilized to minimize accident-related losses; risk managers also identify unique loss exposures and develop strategies to reduce the cost of risk associated with individual business operations.

**Economic Conditions and Outlook.** Georgia's economy in fiscal year 2005 continued its growth cycle following the recession of 2001. The three sources of tax revenue most closely tied to economic conditions, personal income tax, corporate income tax and sales tax, all experienced healthy growth in fiscal year 2005. Compared to fiscal year 2004, personal income tax grew 6.6%, corporate income tax grew approximately 50%, and sales tax grew 7.3%. This growth in tax revenue indicates solid growth in the underlying Georgia economy.

The growth cycle followed a very tough recessionary period. Employment as measured by non-farm payrolls peaked in the first quarter of calendar year 2001 and continued to fall until the middle of 2003, the start of fiscal year 2004.

The decline in non-farm payrolls and the very low rates of growth in nominal personal income associated with this recession resulted in state revenues decreasing for fiscal years 2002 and 2003.

Employment measures for Georgia have been giving mixed signals. Non-farm employment which is measured based on a survey of establishments has been slow. Total non-farm employment grew at about 0.5% in fiscal year 2005. This slow growth was primarily due to significant decreases in employment in retail trade and manufacturing. Decreases in payrolls in these two sectors cut employment growth nearly in half. Sectors in which job growth was strong include wholesale trade, financial services, business and professional services, education and health, leisure and hospitality and government.

In contrast to the employment survey, the household survey indicates substantially strong growth in the level of employment in Georgia. The household survey indicates that 58,000 jobs were added in fiscal year 2005, an increase of about 1.4%. This is more than double the level indicated by the employment survey.

A final timely economic indicator for Georgia is total personal income. In fiscal year 2005, Georgia personal income grew at 6.8%. In comparison, personal income for the U. S. grew 6.5%.

The outlook for Georgia's economy in fiscal year 2006 is clouded by the run-up in energy prices caused by hurricanes in the energy producing Gulf of Mexico. The initial quarter of fiscal year 2006 saw tax revenue growth of over 9% and non-farm employment growth of about 26,000 jobs. In addition, the bankruptcy proceeding of a major employer, Delta Air Lines, is likely to be a drag on growth. Despite these concerns, the overall outlook remains generally positive. State revenues are projected to grow at about 6.1% overall.

## MAJOR INITIATIVES

**Executive Orders for Reduction of Taxes on Energy.** The State was impacted by the high cost of fuel resulting from the impact of hurricane Katrina. Through an executive order, approved by the legislature, the Governor suspended tax collections on motor fuel sales for the month of September 2005, saving Georgia drivers approximately \$75 million. An executive order in December 2005 reduced the sales tax on natural gas during the peak heating months of January through April 2006 and reduced the sales tax on liquid propane from January through March 2006. This order will provide tax savings to consumers ranging from \$16 to \$20 million and prevents the State from reaping a revenue windfall from the high cost of these fuels.

**Increased Education Funding.** With the improvement in the economy and increases in tax revenues in the last two years, funding for education has been enhanced to improve the quality of education and also to address growth of approximately 2.5 percent per year.

**Control of Health Care Costs.** Increased health care costs related to Medicaid and employee health benefits continue to place strains on the State's budget. The State is implementing a managed care plan for Medicaid and PeachCare as well as other initiatives to control costs.

**Commission for a New Georgia.** The Commission for a New Georgia was created in June 2003 as part of the Governor's desire to improve the culture of State government. The Commission is an innovative public-private partnership formed to create breakthrough ideas to help Georgia become a better-managed state and to envision Georgia's strategic future. The Commission brings together some of Georgia's best and brightest to create innovative solutions that will help Georgians save money, grow the State's economy, and make Georgia's residents healthier, safer, and well-educated. Implementation efforts have been initiated for many of the Commission's recommendations including: procurement, financial management, asset management, customer service, and others.

**State Accounting Office.** Previously operating under Executive Order, the State Accounting Office was statutorily created effective July 1, 2005. Duties of this Office include preparation of the State's Comprehensive Annual Financial Report, which was formerly prepared by the Department of Audits and Accounts. With the change in responsibility for preparation of this report, there is no longer an impairment of independence in the Auditor's rendering of an opinion on the Comprehensive Annual Financial Report. As such, the qualification for independence that appeared in previous reports has been removed.

## CONCLUSION

### **Compilation of Transmittal Letter**

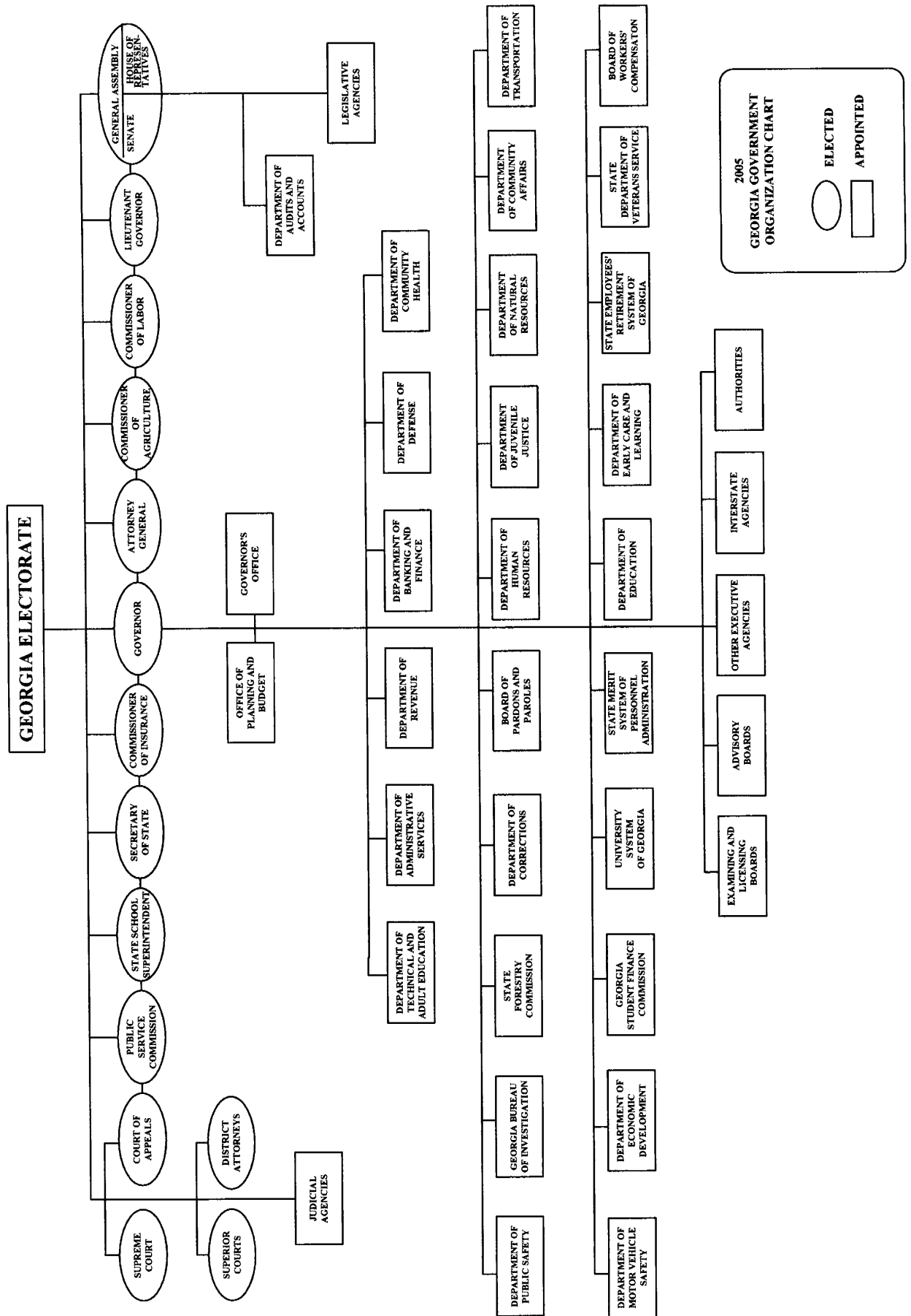
This transmittal letter has been compiled utilizing information contributed by various State management sources. We express our appreciation to the State Agencies and the Department of Audits and Accounts for their dedicated efforts in completing this report and audit during this transition year.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lynn H. Vellinga", with a long horizontal flourish extending to the right.

Lynn H. Vellinga, CPA  
State Accounting Officer

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# State of Georgia

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## Principal State Officials

June 30, 2005

### Executive:

Sonny Perdue  
*Governor*

Cathy Cox  
*Secretary of State*

Thurbert E. Baker  
*Attorney General*

Michael L. Thurmond  
*Commissioner of Labor*

Kathy Cox  
*State Superintendent of Schools*

John W. Oxendine  
*Commissioner of Insurance*

Thomas T. Irvin  
*Commissioner of Agriculture*

H. Doug Everett, Chairman  
Robert “Bobby” Baker, Jr.  
David L. Burgess  
Angela Elizabeth Speir  
Stan Wise  
*Public Service Commission*

### Legislative:

Mark Taylor  
*Lieutenant Governor/President of the Senate*

Glenn Richardson  
*Speaker of the House of Representatives*

### Judicial:

Norman S. Fletcher  
(Leah Sears effective July 1, 2005)  
*Chief Justice of the Supreme Court*

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## **FINANCIAL SECTION**

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# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St. S.W. Suite 1-156  
Atlanta, Georgia 30334

**RUSSELL W. HINTON**

STATE AUDITOR  
(404) 656-2174

## INDEPENDENT AUDITOR'S REPORT

The Honorable Sonny Perdue  
Governor of Georgia  
and  
Members of the General Assembly  
of the State of Georgia

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregated discretely presented component units, each major fund, and the aggregated remaining fund information of the State of Georgia as of and for the year ended June 30, 2005 which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the State of Georgia. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain organizations. These organizations reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities	14%	21%
Business-Type Activities	4%	30%
Aggregate Discretely Presented Component Units	92%	93%
Governmental Fund - General Fund	16%	21%
Governmental Fund - Georgia State Financing and Investment Commission	100%	100%
Proprietary Fund/Enterprise Fund -State Employees' Health Benefit Plan	100%	100%
Aggregate Remaining Fund Information	91%	50%

The financial statements of these organizations and component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for those financial statements, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Georgia Lottery Corporation, Georgia College and State University Foundation, Georgia Southern University Housing Foundation, Inc., Georgia State University

Foundation, Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., Kennesaw State University Foundation, Inc., Medical College of Georgia Foundation, Inc., University of Georgia Athletic Association, Inc., and the University of Georgia Foundation were audited in accordance with auditing standards generally accepted in the United States of America but were not audited in accordance *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

Georgia statutes, in addition to audit responsibilities, entrust other responsibilities to the Department of Audits and Accounts. Those responsibilities included the maintenance of the *Accounting Procedures Manual for the State of Georgia* and service by the State Auditor on the governing boards of various agencies, authorities, commissions, and component units of the State of Georgia. Except for the State Depository Board, which is the oversight board for the Office of Treasury and Fiscal Services, the Department of Audits and Accounts elected to not provide audit services for the organizational units of the State of Georgia associated with these boards. The Department of Audits and Accounts has also elected to not provide audit services for the Department of Community Health (DCH) due to a contractual obligation with DCH to conduct certain non-audit services.

Constitutional and statutory provisions of the State of Georgia did not provide for a position or organizational unit responsible for the preparation of statewide financial statements during fiscal year 2005. However, on July 1, 2005, statutory provisions of the State of Georgia became effective establishing the State Accounting Office whose duties included the preparation of consolidated financial statements for the State of Georgia and maintenance of the *Accounting Procedures Manual for the State of Georgia*. The accompanying financial statements referred to in the first paragraph were prepared by the State Accounting Office.

As discussed in Notes 8 and 9 to the basic financial statements, the State of Georgia did not maintain adequate systems to identify, classify, and report leases as operating leases (lessee) or capital leases in conformity with accounting principles generally accepted in the United States of America. We were unable to determine the effect these limitations had on the financial statements.

The major proprietary fund - Unemployment Compensation Fund, maintained by the Georgia Department of Labor, restated net assets at June 30, 2004 in the amount of \$138,411,632. The Georgia Department of Labor, however, did not provide evidential matter to support \$34,161,666 of the adjusting entries. We were unable to determine the effect this limitation had on the *Statement of Revenues, Expenses, and Changes in Fund Net Assets* and the *Statement of Cash Flows*.

In our opinion, based on our audit and the reports of other auditors, except for the effects of not maintaining adequate systems to account for leases as described in the fifth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of the State of Georgia as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding adjustments to net assets at June 30, 2004 referred to in the sixth paragraph, the *Statement of Revenues, Expenses, and Changes in Fund Net Assets* and the *Statement of Cash Flows*, present fairly, in all material respects, the changes in financial position and cash flows thereof for the major proprietary fund – Unemployment Compensation Fund for the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the *Statement of Net Assets* of the major proprietary fund – Unemployment Compensation Fund present fairly, in all material respects, the financial position of the major proprietary fund – Unemployment Compensation Fund as of June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the business-type activities, the aggregated discretely presented component units, the General Fund, the Georgia State Financing and Investment Commission, State Employees' Health Benefit Plan, Higher Education Fund, and the aggregated remaining fund information of the State of Georgia as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the general fund reflect accounts payable in the amount of \$758,104,038 which represents the State of Georgia's liability for teachers salaries earned before June 30, 2005, but not paid until July and August, 2005. State appropriations for the subsequent fiscal year were available for obligation even though the period to which the appropriation applied had not begun. The recognition of this liability at June 30, 2005, however, is not in accordance with generally accepted accounting principles as promulgated by Governmental Accounting Standards Board (GASB) Statement 33 because the subsequent fiscal year had not begun. We believe, however, the omission of this liability would cause the financial statements of the State of Georgia to be misleading.

As discussed in Note 2 to the basic financial statements, the State of Georgia changed its methodology of applying GASB Statement 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*.

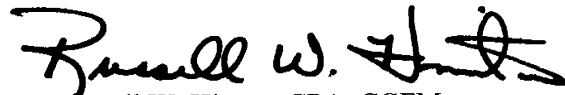
In accordance with *Government Auditing Standards*, we will issue our report dated December 23, 2005, on our consideration of the State of Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 7 through 17, the schedule of funding progress for the Employees' Retirement System of Georgia on page 95, and the budgetary comparison schedule and accompanying notes on pages 96 through 100 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Georgia's basic financial statements. The combining statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections as listed in the table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton", with a stylized flourish at the end.

Russell W. Hinton, CPA, CGFM  
State Auditor

December 23, 2005

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Georgia provides this *Management's Discussion and Analysis* of the State of Georgia's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Georgia is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found in the Introductory Section of this report, and with the State's financial statements, which follow this narrative.

### FINANCIAL HIGHLIGHTS

#### Government-Wide

The assets of the State exceeded its liabilities at the close of the fiscal year by \$20.6 billion (reported as "*net assets*"). Of this amount, \$1.7 billion (reported as "*unrestricted net assets*") may be used to meet the State's ongoing obligations to citizens and creditors. Component units of the State reported net assets of \$4.3 billion for the fiscal year ended June 30, 2005. The State's total net assets (including restatement of the prior year balance) decreased by \$135 million.

#### Fund Level

*Governmental Funds* – As of the close of the current fiscal year, the State's governmental funds reported a combined ending fund balance of \$4.6 billion, with \$725 million of this total available for spending at the government's discretion (*unreserved fund balance*).

*Proprietary Funds* – Net assets at the end of fiscal year 2005 totaled \$7.4 billion. Total net assets for the Enterprise Funds (including restatement of the prior year balance) increased by \$307 million during the fiscal year; Internal Service Funds increased by \$12 million.

#### Long-term Liabilities

The State's long-term liabilities totaled \$7.4 billion at June 30, 2005. General obligation debt is the major component comprising 85% of these liabilities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Georgia's basic financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements: Reporting the State as a Whole

The government-wide financial statements are designed to provide readers with a broad overview of the State of Georgia's finances, in a manner similar to the private sector. These financial statements provide both short-term and long-term information about the State's financial status, which assists in assessing the State's financial condition at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting, and report financial information about the entire government except fiduciary activities. The government-wide financial statements include two statements:

The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets may serve as a useful indicator of whether the State's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements report three activities:

*Governmental Activities* – Taxes and intergovernmental revenues principally fund the activities reported within this section. The majority of the State's basic services fall under this activity including general government, education, health and welfare, transportation, public safety, economic development and assistance, culture and recreation, conservation, and interest on long-term debt.

*Business-Type Activities* – These activities normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The most significant business-type activities of the State include the operations of the Unemployment Compensation Contributions and Benefits Fund (by the Georgia Department of Labor), the self-insured State Employees' Health Benefit Plan (by the Georgia Department of Community Health) and the programs of the Higher Education Fund (by the Board of Regents of the University System of Georgia and the Georgia Department of Technical and Adult Education).

*Discretely Presented Component Units* – Although these organizations are legally separate, the State is financially accountable for them. Financial information for these component units is reported on the government-wide statements separately from the financial information presented for the primary government. For the most part, these entities operate similar to private sector businesses and the business-type activities described above. The State's most significant discretely presented component units are Georgia Environmental Facilities Authority, Georgia Housing and Finance Authority, Georgia Lottery Corporation, Georgia Tech Foundation, Incorporated, and the State Road and Tollway Authority.

The government-wide financial statements can be found immediately following this discussion and analysis.

### **Fund Financial Statements: Reporting the State's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Georgia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government (not on the State as a whole), reporting the State's operations in more detail than the government-wide statements. All of the funds of the State of Georgia can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These fund categories use different accounting approaches and should be interpreted differently.

*Governmental Funds* – Most of the basic services provided by the State are financed through governmental funds. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on short-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's short-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State of Georgia maintains eight individual governmental funds. The State's two major governmental funds are the General Fund and the Georgia State Financing and Investment Commission (GSFIC), which is a capital projects fund. Information for each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data for the remaining six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found immediately following the government-wide statements.

*Proprietary Funds* – The State of Georgia maintains two different types of proprietary funds. When the State charges customers for the services it provides, whether to customers outside the State of Georgia reporting entity (*enterprise funds*) or to other organizations within the reporting entity (*internal service funds*), these services are reported in proprietary funds.

The State of Georgia's proprietary funds include four enterprise funds and six internal service funds. The State's three major enterprise funds are the Higher Education Fund, the State Employees' Health Benefit Plan and the Unemployment Compensation Fund. As there is only one nonmajor enterprise fund, combining statements are not required. The enterprise funds are the same as the business-type activities reported in the government-wide statements, but more detail is provided for each of these funds in the proprietary fund statements. Conversely, all six internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal services funds is provided in the form of *combining statements* elsewhere in this report. Since the internal service funds benefit both the governmental functions and the business-type functions, they have been proportionately included within the governmental activities and the business type activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

*Fiduciary Funds and Similar Component Units: The State as Trustee* – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs; instead, the State is responsible for using the fiduciary assets for the fiduciary fund's intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

The State's fiduciary funds are the Pension Trust Funds (fifteen separate retirement plans for employees), the Investment Trust Funds (which account for the transactions, assets, liabilities and fund equity of external investment pools), Private-Purpose Trust Funds (which account for assets held by the government in a trustee capacity), and Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund data for the fiduciary funds and similar component units can be found in the *combining statements* elsewhere in this report.

The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds and similar component units' financial statements.

## Required Supplementary Information

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of other required supplementary information. This section includes (1) a budgetary comparison schedule and accompanying reconciliation to the governmental fund financial statements, and (2) pension funding information.

## Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State of Georgia's combined assets (governmental and business-type activities) exceeded liabilities by \$20.6 billion at the end of fiscal year 2005.

### State of Georgia Net Assets as of June 30, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and Other						
Non-current Assets	\$ 9,580,424,594	\$ 8,902,740,907	\$ 2,821,605,626	\$ 2,637,831,157	\$ 12,402,030,220	\$ 11,540,572,064
Net Capital Assets	15,522,642,591	14,813,652,946	4,894,624,364	4,331,341,093	20,417,266,955	19,144,994,039
<b>Total Assets</b>	<b>\$ 25,103,067,185</b>	<b>\$ 23,716,393,853</b>	<b>\$ 7,716,229,990</b>	<b>\$ 6,969,172,250</b>	<b>\$ 32,819,297,175</b>	<b>\$ 30,685,566,103</b>
Non-current Liabilities	\$ 6,525,133,277	\$ 6,811,312,051	\$ 846,466,373	\$ 637,171,719	\$ 7,371,599,650	\$ 7,448,483,770
Other Liabilities	4,081,480,464	3,284,334,989	689,342,328	607,715,673	4,770,822,792	3,892,050,662
<b>Total Liabilities</b>	<b>\$ 10,606,613,741</b>	<b>\$ 10,095,647,040</b>	<b>\$ 1,535,808,701</b>	<b>\$ 1,244,887,392</b>	<b>\$ 12,142,422,442</b>	<b>\$ 11,340,534,432</b>
Net Assets						
Invested in Capital Assets, net of related debt	\$ 10,914,903,468	\$ 10,073,116,534	\$ 4,214,124,405	\$ 3,849,934,815	\$ 15,129,027,873	\$ 13,923,051,349
Restricted	2,248,833,736	2,166,593,614	1,599,877,521	1,269,662,551	3,848,711,257	3,436,256,165
Unrestricted	1,332,716,240	1,381,036,665	366,419,363	604,687,492	1,699,135,603	1,985,724,157
<b>Total Net Assets</b>	<b>\$ 14,496,453,444</b>	<b>\$ 13,620,746,813</b>	<b>\$ 6,180,421,289</b>	<b>\$ 5,724,284,858</b>	<b>\$ 20,676,874,733</b>	<b>\$ 19,345,031,671</b>

The largest portion of the State of Georgia's net assets (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. Infrastructure assets comprise 47 percent of the State's capital assets, net of accumulated depreciation. The State uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets (19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used at the State's discretion to meet ongoing obligations to citizens and creditors, however, certain portions of unrestricted net assets have internal designations. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### **Changes in Net Assets**

The revenues and expenses information, shown in the table on the following page, was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year. The State of Georgia earned program revenues of \$18.8 billion and general revenues of \$16.2 billion, totaling \$35 billion during Fiscal Year 2005. Expenses for the State during Fiscal Year 2005 were \$35.2 billion.

The State's net assets (including restatement of the prior year balance) decreased by \$135 million during the current fiscal year. The economic information presented later in this discussion and analysis provides insight into the conditions of the State that have caused this to occur.

**State of Georgia**  
**Changes in Net Assets for the Years Ended June 30, 2005 and 2004**

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 2,553,120,758	\$ 2,256,765,248	\$ 1,934,573,870	\$ 2,079,339,180	\$ 4,487,694,628	\$ 4,336,104,428
Operating Grants and Contributions (1)	9,213,591,433	10,278,522,740	4,050,853,698	3,330,386,346	13,264,445,131	13,608,909,086
Capital Grants and Contributions (1)	1,014,143,818	7,100,353	40,028,701	148,406,860	1,054,172,519	155,507,213
General Revenues:						
Taxes	14,828,284,294	13,734,734,437	-	-	14,828,284,294	13,734,734,437
Grants and Contributions		176,603		-		176,603
Unrestricted Investment Income	208,655,548	116,615,258	88,206,697	58,646,464	296,862,245	175,261,722
Unclaimed Property	75,352,829	54,073,941	-	-	75,352,829	54,073,941
Other	1,011,803,330	1,094,273,034	-	-	1,011,803,330	1,094,273,034
<b>Total Revenues</b>	<b>\$ 28,904,952,010</b>	<b>\$ 27,542,261,614</b>	<b>\$ 6,113,662,966</b>	<b>\$ 5,616,778,850</b>	<b>\$ 35,018,614,976</b>	<b>\$ 33,159,040,464</b>
<b>Expenses:</b>						
General Government	\$ 1,354,450,611	\$ 1,900,816,188	\$ -	\$ -	\$ 1,354,450,611	\$ 1,900,816,188
Education	8,376,252,428	8,007,435,032	-	-	8,376,252,428	8,007,435,032
Health and Welfare	11,847,414,184	11,370,543,257	-	-	11,847,414,184	11,370,543,257
Transportation	2,316,637,951	1,844,280,801	-	-	2,316,637,951	1,844,280,801
Public Safety	1,781,048,236	1,712,345,630	-	-	1,781,048,236	1,712,345,630
Economic Development and Assistance	702,878,955	738,424,900	-	-	702,878,955	738,424,900
Culture and Recreation	225,821,123	237,830,704	-	-	225,821,123	237,830,704
Conservation	48,790,642	49,089,414	-	-	48,790,642	49,089,414
Interest and Other Charges on Long-Term Debt	318,859,479	319,033,931	-	-	318,859,479	319,033,931
Georgia Technology Authority	-	-	193,917,948	198,937,289	193,917,948	198,937,289
Higher Education Fund	-	-	5,310,815,372	4,762,819,609	5,310,815,372	4,762,819,609
State Employees' Health Benefit Fund	-	-	2,092,456,636	1,850,125,373	2,092,456,636	1,850,125,373
Unemployment Compensation	-	-	584,260,307	877,555,002	584,260,307	877,555,002
<b>Total Expenses</b>	<b>\$ 26,972,153,609</b>	<b>\$ 26,179,799,857</b>	<b>\$ 8,181,450,263</b>	<b>\$ 7,689,437,273</b>	<b>\$ 35,153,603,872</b>	<b>\$ 33,869,237,130</b>
Increase (Decrease) in Net Assets Before Transfers and Special Items	\$ 1,932,798,401	\$ 1,362,461,757	\$ (2,067,787,297)	\$ (2,072,658,423)	\$ (134,988,896)	\$ (710,196,666)
Transfers	(2,340,526,077)	(2,294,450,061)	2,340,526,077	2,294,450,061	-	-
Special Item	-	-	-	-	-	-
<b>Change in Net Assets</b>	<b>\$ (407,727,676)</b>	<b>\$ (931,988,304)</b>	<b>\$ 272,738,780</b>	<b>\$ 221,791,638</b>	<b>\$ (134,988,896)</b>	<b>\$ (710,196,666)</b>
<b>Net Assets, July 1 - Restated</b>	<b>14,904,181,120</b>	<b>14,552,735,117</b>	<b>5,907,682,509</b>	<b>5,502,493,220</b>	<b>20,811,863,629</b>	<b>20,055,228,337</b>
<b>Net Assets, June 30</b>	<b>\$ 14,496,453,444</b>	<b>\$ 13,620,746,813</b>	<b>\$ 6,180,421,289</b>	<b>\$ 5,724,284,858</b>	<b>\$ 20,676,874,733</b>	<b>\$ 19,345,031,671</b>

(1) Certain federal and other revenues for infrastructure expenditures were reported as Operating Grants and Contributions in FY 04, but are reported as Capital Grants and Contributions in FY 05.

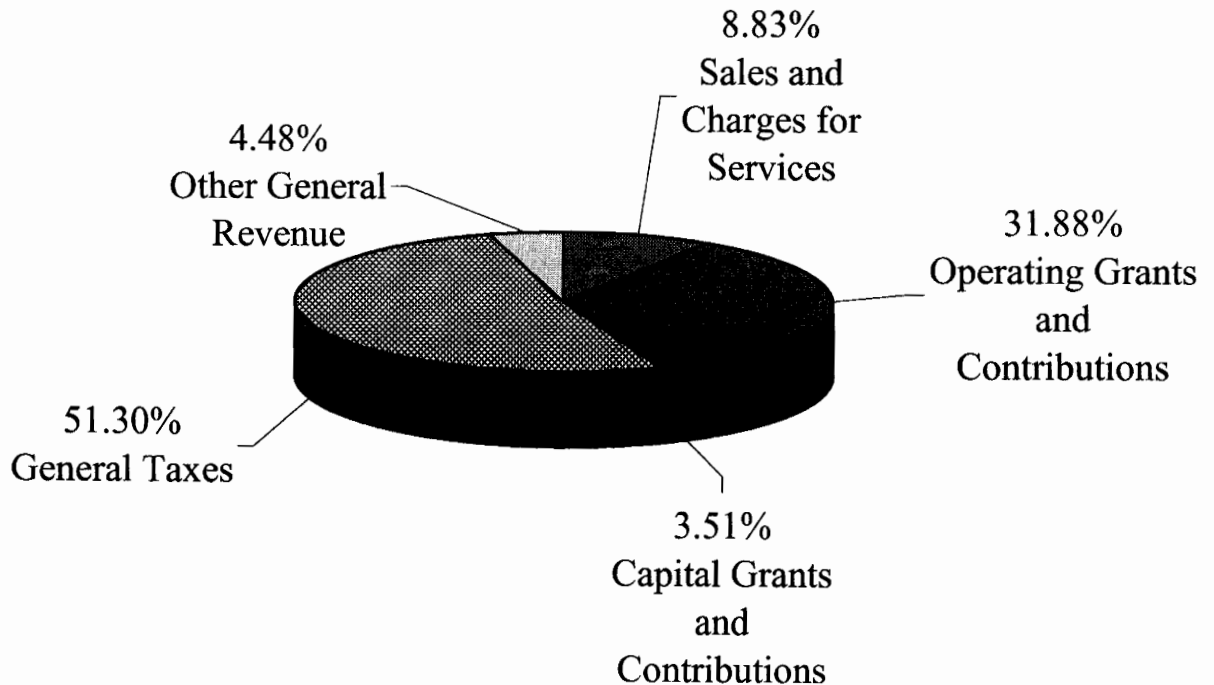
### Governmental Activities

Governmental activities reduced the State's net assets (including restatement of the prior year balance) by \$408 million. This decrease was primarily due to current year expenditures for capital acquisitions exceeding current year bond proceeds.

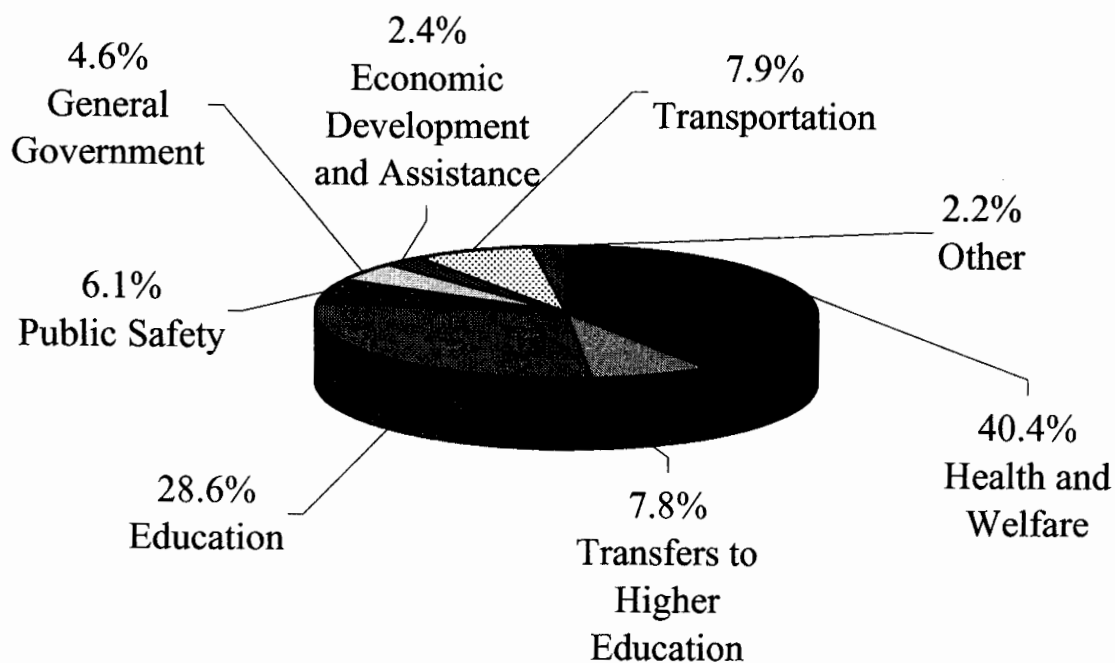
Governmental revenues account for approximately 83 percent of total revenue. Approximately 51 percent of governmental revenue came from taxes, while 35 percent resulted from grants and contributions (mostly federal revenue). Charges for various goods and services provided 9 percent of the revenues. The State's expenses cover a range of services. The largest outlays were for education, including transfers to higher education, and health and welfare, which combined, accounted for 77 percent of total governmental activity expenses and transfers. In

fiscal year 2005, governmental activity expenses and transfers were funded 44.2 percent, or \$12.8 billion, from program revenues and 55.8 percent, or \$16.1 billion, from general revenues (mostly taxes).

### Governmental Activities - Sources of Revenue



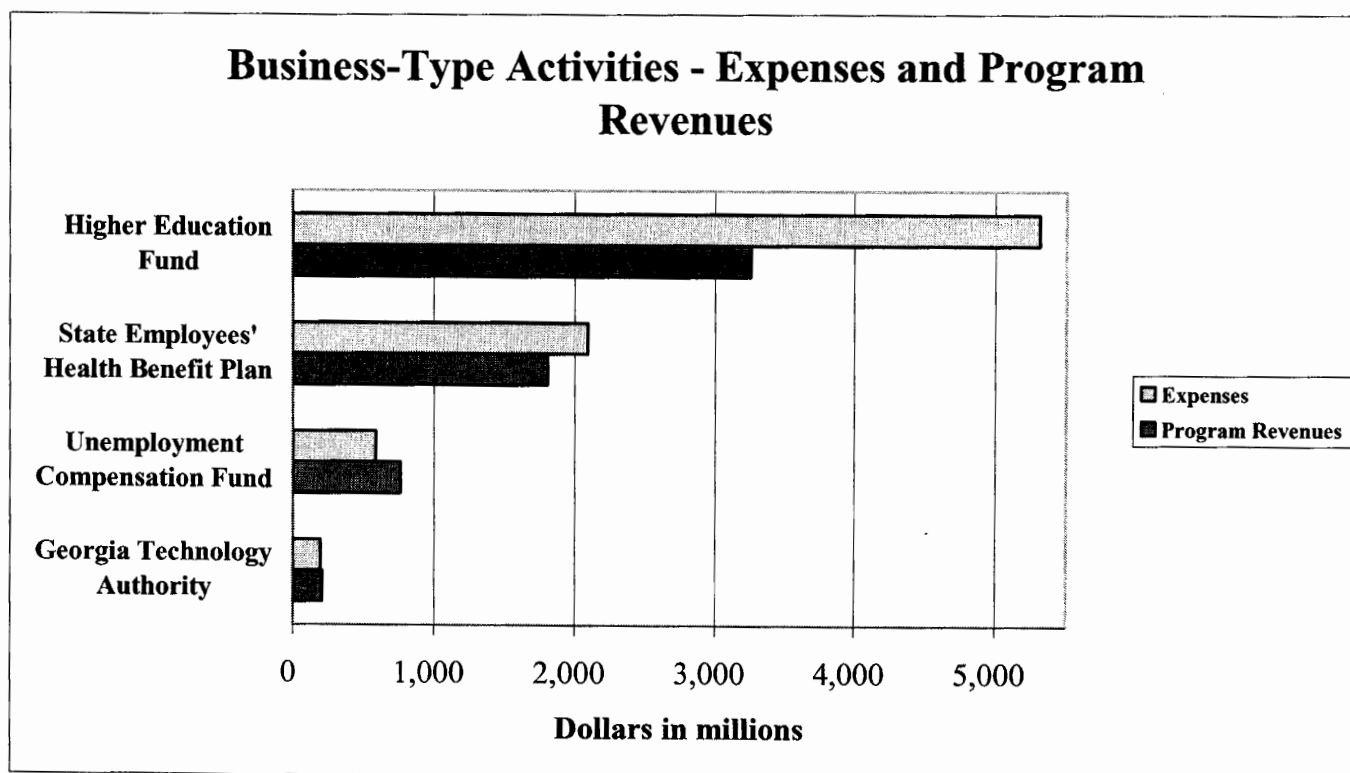
### Governmental Activities - Expenses by Program and Transfers



### Business-Type Activities

Business-type activities increased the State of Georgia's net assets (including restatement of the prior year balance) by \$273 million. Additions to the facilities of various colleges and universities account for this change. Operating Grants and Contributions accounted for 48 percent of revenues and transfers and Higher Education and State Employees' Health Benefit Plan accounted for 90 percent of expense.

In fiscal year 2005, business-type activities expenses were funded 71.3 percent, or \$6.0 billion, from program revenues; 1.0 percent, or \$88 million, from general revenues; and 27.7 percent, or \$2.3 billion, from transfers from governmental activities to fund higher education.



### FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2005, the State of Georgia's governmental funds reported combined ending fund balances of \$4.6 billion, a decrease of \$191.1 million in comparison with the prior fiscal year (after restatement of the prior year balance). Approximately 16% of this total amount (\$725 million) constitutes *unreserved fund balance*, the majority of which is in the Capital Projects Fund and is designated to fund capital acquisitions. The remainder of fund balance is *reserved* to indicate that it is restricted for specific purposes. These reservations include commitments 1) to liquidate contracts and purchase orders (\$720 million), 2) to provide and maintain an adequate system of public roads and bridges in the State (\$1.4 billion appropriated to the Georgia Department of

Transportation (GDOT), \$61 million committed to subsequent appropriation to GDOT), 3) to administer education programs funded by the State's lottery (\$668 million), 4) for the revenue shortfall reserve (\$158 million to fund education programs and \$257 million for revenue shortfalls as required by State law) and for a variety of other restricted purposes (\$639 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund reflected a deficit of \$79 million, while total fund balance reached \$3.8 billion. The deficit is primarily due to timing differences in posting liability accruals and the corresponding assets, and to a statutory requirement to calculate the Revenue Shortfall Reserve on a budgetary basis.

The fund balance (including restatement of the prior year balance) of the State's General Fund increased by \$242 million, primarily as a result of higher tax collections and recovery of the economy. By the end of the year, fund balance had grown 6.9 percent from the prior year restated balance.

The capital projects fund, in total, has a fund balance of \$805 million, most of which is designated for future capital outlay. The State has five capital projects funds, with one being considered a major fund for presentation purposes for fiscal year 2005. The major capital projects fund, as mentioned earlier, is the Georgia State Financing and Investment Commission (GSFIC); the total fund balance for GSFIC is \$796 million. The total net decrease in fund balance during the current year in the capital projects fund (\$433 million) resulted from the use of bond proceeds for construction and equipment greater than the amount of bonds issued.

#### **Proprietary Funds**

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

### **BUDGETARY HIGHLIGHTS**

The final budget exceeded original appropriations by approximately \$7.9 billion. This increase resulted primarily from \$1.5 billion in funds carried forward from the prior year, \$3.3 billion of federal revenues, and \$2.9 billion of other revenues being amended into the budget by the State organizations that anticipated earning the funds. Additionally, the State's Supplementary Appropriations Act increased budgeted state general revenues by \$183 million.

At fiscal year end, funds available were approximately \$2.2 billion less than final budgetary estimates and expenditures were approximately \$3.6 billion less than final budgetary estimates, resulting in an excess of funds available over expenditures of approximately \$1.4 billion.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The State of Georgia's investment in capital assets for its governmental and business-type activities as of June 30, 2005, was \$31.4 billion, less accumulated depreciation of \$11.0 billion (net book value of \$20.4 billion). Investment in capital assets includes land, buildings and building improvements, improvements other than buildings, personal property (machinery and equipment), infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State of Georgia's investment in capital assets for the current fiscal year was \$1.2 billion, or 3.9 percent (a 1.9 percent increase for governmental activities and a 10.5 percent increase for business-type activities). Accumulated depreciation increased \$1.2 billion or 12.3 percent (a 14.0 percent increase for governmental activities and an 8.0 percent increase for business-type activities). In addition, the prior year

balances were restated by \$1.3 billion (net of accumulated depreciation). The majority of the prior year restatement (\$1.0 billion) was a result of the completion of a project at GDOT to validate land inventories.

**State of Georgia**  
**Capital Assets, net of depreciation as of June 30, 2005 and 2004**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004 (As Restated)	2005	2004 (As Restated)	2005	2004 (As Restate)
Land	\$ 1,549,993,780	\$ 1,490,709,616	\$ 193,721,811	\$ 165,223,376	\$ 1,743,715,591	\$ 1,655,932,992
Buildings and Building Improvements	1,688,075,630	1,672,066,710	3,475,673,745	2,995,407,623	5,163,749,375	4,667,474,333
Improvements Other Than Buildings	40,927,581	39,094,091	162,440,157	154,193,663	203,367,738	193,287,754
Machinery and Equipment	246,442,774	247,726,895	553,534,217	514,003,329	799,976,991	761,730,224
Software	30,056,956	18,985,716	6,067,398	6,265,306	36,124,354	25,251,022
Library Collections	-	-	142,682,465	136,548,441	142,682,465	136,548,441
Works of Art and Collections	1,852,727	1,873,394	17,048,243	16,477,219	18,900,970	18,350,613
Infrastructure	9,425,487,386	10,119,826,937	203,733,103	193,029,308	9,629,220,489	10,312,856,245
Construction in Progress	2,539,805,757	2,496,834,294	139,723,225	180,891,211	2,679,528,982	2,677,725,505
Total	\$ 15,522,642,591	\$ 16,087,117,653	\$ 4,894,624,364	\$ 4,362,039,476	\$ 20,417,266,955	\$ 20,449,157,129

Additional information on the State's capital assets can be found in Note 5 to the financial statements of this report.

**Debt Administration**

At the end of the current fiscal year, the State had total bonded debt outstanding of \$6.24 billion. As illustrated below, substantially all of this amount is backed by the full faith and credit of the government (*general obligation debt*).

The most current bond ratings for Moody's Investors Service, Fitch Investors Service, L.P., and Standard and Poor's Corporation are Aaa, AAA and AAA, respectively. Under the State's Constitution the highest aggregate annual debt service requirement may not exceed 10 percent of the previous fiscal year's revenue collections. The State's current highest annual debt service requirement is 6.23% of the previous fiscal year's revenue collections.

**State of Georgia**  
**Outstanding Bond Debt as of June 30, 2005 and 2004**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 6,238,934,075	\$ 6,513,380,000	\$ -	\$ -	\$ 6,238,934,075	\$ 6,513,380,000

The State of Georgia's total long-term liabilities decreased by \$77 million (1.0 percent) during the current fiscal year. The key factors contributing to this change are a net decrease of \$274 million in general obligation bonds due to maturities offset by a net increase of \$199 million in capital lease obligations. The increase in capital lease obligations was primarily in the Higher Education Fund.

Additional information on the State of Georgia's long-term debt can be found in Note 10 of the notes to the financial statements of this report.

## **ECONOMIC FACTORS**

The trend for economic recovery in the U. S. has been similar for the State of Georgia. On December 12, 2005, the Department of Revenue announced that net revenue collections during the month of November for fiscal year 2006, increased by \$24.0 million or 2.0% from the same period in fiscal year 2005. The year-to-date collections for November 2005 increased by \$468.9 million or 8.0% from the prior year.

The Georgia Economic Indicators, Quarterly Report revealed upswings in the state's major economic indices for the second quarter of calendar year 2005. The Leading Economic Indicator (LEI) increased by 1.7% from the previous quarter primarily due to strong automobile sales and construction activity. The Coincident Economic Indicator (CEI) was higher by 0.6% than the first quarter of 2005. This was despite an increase in the Unemployment rate from 5.0% in the prior reporting period to 5.6% in the current period. The report pointed to more moderate growth in the second half of the year; however, it cautioned that higher fuel costs and interests rates could possibly dampen this growth.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Georgia's finances for all of Georgia's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State Accounting Office, 200 Piedmont Avenue, Suite 1604 West Tower, Atlanta, Georgia 30334-9010.

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## **BASIC FINANCIAL STATEMENTS**

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# State of Georgia

## Statement of Net Assets June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,069,244,909	\$ 1,914,942,018	\$ 4,984,186,927	\$ 873,527,630
Investments	3,002,658,967	416,782,669	3,419,441,636	2,338,965,561
Accounts Receivable (Net of Allowances for Uncollectibles)				
Interest and Dividends	33,246,988	—	33,246,988	10,993,309
Notes and Loans	1,191,532	45,529,931	46,721,463	356,225,746
Taxes	1,291,039,740	—	1,291,039,740	267,734
Other	386,135,882	316,657,567	702,793,449	775,371,927
Internal Balances	75,167,150	(75,167,150)	0	—
Due From Primary Government	—	—	0	8,539,516
Due From Component Units	74,212,708	76,348,447	150,561,155	71,671,437
Intergovernmental Receivables	1,521,372,241	67,371,722	1,588,743,963	5,513,103
Inventories	52,144,081	27,104,706	79,248,787	14,374,404
Prepaid Items	21,124,768	31,882,830	53,007,598	3,073,104
Other Assets	17,745,895	152,886	17,898,781	209,208,303
Restricted Assets				
Cash and Cash Equivalents	—	—	0	147,724,298
Investments	—	—	0	562,523,484
Receivables				
Loans (Net)	—	—	0	1,293,733,683
Interest and Dividends	—	—	0	5,837,488
Other	—	—	0	61,700
Advances to Component Units	28,461,917	—	28,461,917	—
Deferred Charges	6,677,816	—	6,677,816	17,603,103
Capital Assets (Net of Accumulated Depreciation)	15,522,642,591	4,894,624,364	20,417,266,955	1,826,895,817
Total Assets	\$ 25,103,067,185	\$ 7,716,229,990	\$ 32,819,297,175	\$ 8,522,111,347
<b>Liabilities</b>				
Accounts Payable and Other Accruals	\$ 1,547,977,059	\$ 113,098,684	\$ 1,661,075,743	\$ 186,221,072
Due to Primary Government	—	—	0	150,561,155
Due to Component Units	—	8,539,516	8,539,516	71,671,437
Salaries/Withholdings Payable	18,475,001	14,848,765	33,323,766	7,561,139
Benefits Payable	966,925,677	211,137,626	1,178,063,303	—
Accrued Interest Payable	113,473,896	—	113,473,896	3,621,840
Contracts Payable	143,147,116	5,953,361	149,100,477	7,235,840
Undistributed Local Government Sales Tax	102,900,000	—	102,900,000	—
Funds Held for Others	589,787,073	40,434,204	630,221,277	20,523,919
Deferred Revenue	204,037,271	263,223,988	467,261,259	452,890,646
Deposits	797,467	22,839,311	23,636,778	—
Claims and Judgments Payable	388,389,305	1,000,000	389,389,305	—
Liabilities Payable from Restricted Assets	—	—	0	25,054,545
Other Liabilities	5,570,599	8,266,873	13,837,472	76,405,585
Noncurrent Liabilities:				
Due within one year	656,358,864	114,250,267	770,609,131	197,390,915
Due in more than one year	5,868,774,413	732,216,106	6,600,990,519	3,037,841,434
Total Liabilities	\$ 10,606,613,741	\$ 1,535,808,701	\$ 12,142,422,442	\$ 4,236,979,527

The notes to the financial statements are an integral part of this statement.

# State of Georgia

## Statement of Net Assets June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	\$ 10,914,903,468	\$ 4,214,124,405	\$ 15,129,027,873	\$ 938,044,915
Restricted for:				
Bond Covenants/Debt Service	—	—	0	53,667,979
Construction	—	—	0	25,826,206
Distance Learning and Telemedicine	—	15,662,279	15,662,279	—
Guaranteed Revenue Debt Common Reserve Fund	71,830,871	—	71,830,871	—
Hazardous Waste Trust Fund	11,393,496	—	11,393,496	—
Loan and Grant Programs	—	—	0	23,321,625
Lottery for Education	667,663,607	—	667,663,607	—
Motor Fuel Tax Funds	1,404,532,570	—	1,404,532,570	—
Permanent Trusts:				
Nonexpendable	—	118,985,287	118,985,287	885,663,736
Expendable	—	199,528,381	199,528,381	615,572,571
Underground Storage Trust Fund	65,918,343	—	65,918,343	—
Unemployment Compensation Benefits	—	1,244,475,182	1,244,475,182	—
Other Purposes	27,494,849	21,226,392	48,721,241	4,944,315
Unrestricted	1,332,716,240	366,419,363	1,699,135,603	1,738,090,473
Total Net Assets	<u>\$ 14,496,453,444</u>	<u>\$ 6,180,421,289</u>	<u>\$ 20,676,874,733</u>	<u>\$ 4,285,131,820</u>

The notes to the financial statements are an integral part of this statement.

# State of Georgia

## Statement of Activities For the Fiscal Year Ended June 30, 2005

		<b>Program</b>	
	<b>Expenses</b>	<b>Sales and Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Functions/Programs</b>			
<b>Primary Government</b>			
Governmental Activities:			
General Government	\$ 1,354,450,611	\$ 267,755,489	\$ 146,644,349
Education	8,376,252,428	30,133,106	1,453,109,759
Health and Welfare	11,847,414,184	1,435,223,530	6,903,487,446
Transportation	2,316,637,951	212,718,387	—
Public Safety	1,781,048,236	412,572,389	127,526,349
Economic Development and Assistance	702,878,955	55,970,915	506,412,598
Culture and Recreation	225,821,123	130,215,864	65,853,405
Conservation	48,790,642	8,531,078	10,557,527
Interest and Other Charges on Long-Term Debt	318,859,479	—	—
Total Governmental Activities	\$ 26,972,153,609	\$ 2,553,120,758	\$ 9,213,591,433
Business-Type Activities:			
Georgia Technology Authority	\$ 193,917,948	\$ 204,245,926	\$ —
Higher Education Fund	5,310,815,372	1,730,327,944	1,483,352,998
State Employees' Health Benefit Plan	2,092,456,636	—	1,805,784,105
Unemployment Compensation Fund	584,260,307	—	761,716,595
Total Business-Type Activities	\$ 8,181,450,263	\$ 1,934,573,870	\$ 4,050,853,698
Total Primary Government	\$ 35,153,603,872	\$ 4,487,694,628	\$ 13,264,445,131
<b>Component Units</b>			
Environmental Facilities Authority	\$ 30,947,380	\$ 27,903,883	\$ 29,430,457
Georgia Tech Foundation, Incorporated	60,260,000	15,472,000	68,446,073
Housing and Finance Authority	87,038,856	47,646,693	34,326,822
Lottery Corporation	2,739,572,000	2,739,049,000	—
Road and Tollway Authority	236,969,656	20,353,541	—
Nonmajor Component Units	1,511,933,889	762,912,111	685,565,538
Total Component Units	\$ 4,666,721,781	\$ 3,613,337,228	\$ 817,768,890

### General Revenues:

Taxes  
Contributions to Permanent Endowments  
Unrestricted Investment Income  
Unclaimed Property  
Other  
Payments from the State of Georgia

### Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning - Restated

Net Assts - Ending

The notes to the financial statements are an integral part of this statement.

Revenues	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Component Units	
	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
\$ 3,729,321	\$ (936,321,452)	\$ —	\$ (936,321,452)	\$ —	
—	(6,893,009,563)	—	(6,893,009,563)	—	
52,495	(3,508,650,713)	—	(3,508,650,713)	—	
1,009,574,313	(1,094,345,251)	—	(1,094,345,251)	—	
697,312	(1,240,252,186)	—	(1,240,252,186)	—	
—	(140,495,442)	—	(140,495,442)	—	
85,377	(29,666,477)	—	(29,666,477)	—	
5,000	(29,697,037)	—	(29,697,037)	—	
—	(318,859,479)	—	(318,859,479)	—	
<u>\$ 1,014,143,818</u>	<u>\$ (14,191,297,600)</u>	<u>\$ —</u>	<u>\$ (14,191,297,600)</u>	<u>\$ —</u>	
\$ —	\$ —	\$ 10,327,978	\$ 10,327,978	\$ —	
40,028,701	—	(2,057,105,729)	(2,057,105,729)	—	
—	—	(286,672,531)	(286,672,531)	—	
—	—	177,456,288	177,456,288	—	
<u>\$ 40,028,701</u>	<u>\$ —</u>	<u>\$ (2,155,993,994)</u>	<u>\$ (2,155,993,994)</u>	<u>\$ —</u>	
<u>\$ 1,054,172,519</u>	<u>\$ —</u>	<u>\$ (2,155,993,994)</u>	<u>\$ (16,347,291,594)</u>	<u>\$ —</u>	
\$ 81,341,763	\$ —	\$ —	\$ —	\$ 107,728,723	
—	—	—	—	23,658,073	
—	—	—	—	(5,065,341)	
—	—	—	—	(523,000)	
—	—	—	—	(216,616,115)	
31,062,609	—	—	—	(32,393,631)	
<u>\$ 112,404,372</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (123,211,291)</u>	
\$ 14,828,284,294	\$ —	\$ 14,828,284,294	\$ 22,877,734		
—	—	0	22,208,829		
208,655,548	88,206,697	296,862,245	124,473,153		
75,352,829	—	75,352,829	—		
1,011,803,330	—	1,011,803,330	20,391,021		
—	—	0	185,310,420		
(2,340,526,077)	2,340,526,077	0	—		
<u>\$ 13,783,569,924</u>	<u>\$ 2,428,732,774</u>	<u>\$ 16,212,302,698</u>	<u>\$ 375,261,157</u>		
\$ (407,727,676)	\$ 272,738,780	\$ (134,988,896)	\$ 252,049,866		
14,904,181,120	5,907,682,509	20,811,863,629	4,033,081,954		
<u>\$ 14,496,453,444</u>	<u>\$ 6,180,421,289</u>	<u>\$ 20,676,874,733</u>	<u>\$ 4,285,131,820</u>		

# State of Georgia

## Balance Sheet Governmental Funds June 30, 2005

	General Fund	Georgia State Financing and Investment Commission	Nonmajor Funds	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,803,705,324	\$ 130,200,092	\$ 6,355,605	\$ 2,940,261,021
Investments	1,080,957,186	748,072,943	1,550,767	1,830,580,896
Receivables (Net of Allowances for Uncollectibles)				
Taxes	1,291,039,740	—	—	1,291,039,740
Interest and Dividends	33,246,988	—	—	33,246,988
Notes and Loans	1,191,532	—	—	1,191,532
Other	371,510,046	—	1,229,758	372,739,804
Due from Other Funds	13,772,619	—	—	13,772,619
Due from Component Units	70,739,228	—	—	70,739,228
Intergovernmental Receivables	1,521,372,241	—	—	1,521,372,241
Inventories	44,733,038	—	—	44,733,038
Prepaid Items	20,935,158	—	—	20,935,158
Other Assets	17,745,895	—	—	17,745,895
<b>Total Assets</b>	<b>\$ 7,270,948,995</b>	<b>\$ 878,273,035</b>	<b>\$ 9,136,130</b>	<b>\$ 8,158,358,160</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable and Other Accruals	\$ 1,499,213,289	\$ 39,902,177	\$ 46,691	\$ 1,539,162,157
Due to Other Funds	8,610,970	13,772,619	—	22,383,589
Salaries/Withholdings Payable	18,463,866	—	—	18,463,866
Benefits Payable	966,925,677	—	—	966,925,677
Contracts Payable	114,537,722	28,581,311	—	143,119,033
Undistributed Local Government Sales Tax	102,900,000	—	—	102,900,000
Funds Held for Others	589,787,073	—	—	589,787,073
Deferred Revenue	198,687,979	—	—	198,687,979
Other Liabilities	5,570,599	—	—	5,570,599
<b>Total Liabilities</b>	<b>\$ 3,504,697,175</b>	<b>\$ 82,256,107</b>	<b>\$ 46,691</b>	<b>\$ 3,586,999,973</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	\$ 720,357,548	\$ —	\$ —	\$ 720,357,548
Reserved for Guaranteed Revenue Debt Common Reserve Fund	71,830,871	—	—	71,830,871
Reserved for Hazardous Waste Trust Fund	11,393,496	—	—	11,393,496
Reserved for Inventories	43,644,174	—	—	43,644,174
Reserved for Lottery for Education	667,663,607	—	—	667,663,607
Reserved for Motor Fuel Tax Funds	1,404,532,570	—	—	1,404,532,570
Reserved for Revenue Shortfall				
Education (K - 12)	158,139,967	—	—	158,139,967
Other	256,664,658	—	—	256,664,658
Reserved for Tobacco Settlement Funds	174,789,445	—	—	174,789,445
Reserved for Underground Storage Trust Fund	65,918,343	—	—	65,918,343
Reserved for Unissued Debt	106,447,297	—	—	106,447,297
Reserved for Other Specific Purposes	163,846,800	—	1,027,293	164,874,093
Unreserved, Designated				
Designated for Capital Outlay	—	796,016,928	—	796,016,928
Unreserved, Undesignated, Reported in				
General Fund	(78,976,956)	—	—	(78,976,956)
Capital Projects Funds	—	—	8,062,146	8,062,146
<b>Total Fund Balances</b>	<b>\$ 3,766,251,820</b>	<b>\$ 796,016,928</b>	<b>\$ 9,089,439</b>	<b>\$ 4,571,358,187</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,270,948,995</b>	<b>\$ 878,273,035</b>	<b>\$ 9,136,130</b>	<b>\$ 8,158,358,160</b>

The notes to the financial statements are an integral part of this statement.

# State of Georgia

## Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Assets June 30, 2005

Total Fund Balances - Governmental Funds \$ 4,571,358,187

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 1,528,493,871	
Buildings and Building Improvements	2,276,808,217	
Improvements Other Than Buildings	65,929,191	
Equipment	684,735,250	
Infrastructure	16,213,471,608	
Construction in Progress	2,539,805,757	
Works of Art	695,819	
Software	82,786,294	
Library Books	3,200,000	
Accumulated Depreciation	(8,110,484,112)	15,285,441,895

Certain long-term assets are not current available financial resources and, therefore, are not reported in the funds. 41,050,388

Certain liabilities are not accrued in governmental funds until they are due and payable, but must be recognized in the Statement of Net Assets. (113,473,896)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of a majority of the internal service funds are included in governmental activities in the Statement of Net Assets. 1,233,355,062

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General Obligation Bonds	\$ (6,183,865,000)	
Premiums	(131,554,903)	
Deferred Amount on Refunding	76,485,828	
Capital Leases	(5,122,319)	
Compensated Absences	(250,114,016)	
Long-Term Notes	(3,582,659)	
Contracts Payable	(13,869,285)	
Arbitrage Rebate	(9,655,838)	(6,521,278,192)

Total Net Assets - Governmental Activities \$ 14,496,453,444

# State of Georgia

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2005

	General Fund	Georgia State Financing and Investment Commission	Nonmajor Funds	Total
<b>Revenues:</b>				
Taxes	\$ 14,828,284,294	\$ —	\$ —	\$ 14,828,284,294
Licenses and Permits	496,178,286	—	—	496,178,286
Intergovernmental - Federal	10,152,667,272	—	—	10,152,667,272
Sales and Services	1,732,901,939	—	—	1,732,901,939
Fines and Forfeits	265,707,928	—	—	265,707,928
Interest and Other Investment Income	72,678,939	30,160,660	315,318	103,154,917
Rents and Royalties	16,131,005	—	68,440	16,199,445
Contributions and Donations	72,457,446	4,073,737	—	76,531,183
Penalties and Interest on Taxes	8,542,374	—	—	8,542,374
Unclaimed Property	75,352,829	—	—	75,352,829
Lottery Proceeds	802,083,000	—	—	802,083,000
Nursing Home Provider Fees	99,271,176	—	—	99,271,176
Other	105,541,906	5,159,109	912,133	111,613,148
<b>Total Revenues</b>	<b>\$ 28,727,798,394</b>	<b>\$ 39,393,506</b>	<b>\$ 1,295,891</b>	<b>\$ 28,768,487,791</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	\$ 1,086,943,820	\$ 1,691,507	\$ 19,361	\$ 1,088,654,688
Education	8,359,397,590	—	132	8,359,397,722
Health and Welfare	11,861,216,558	—	—	11,861,216,558
Transportation	1,804,447,522	—	—	1,804,447,522
Public Safety	1,696,259,861	—	—	1,696,259,861
Economic Development and Assistance	688,658,010	—	—	688,658,010
Culture and Recreation	246,260,644	—	—	246,260,644
Conservation	57,677,302	—	—	57,677,302
Capital Outlay	—	485,081,176	914,240	485,995,416
Debt Service				
Principal	—	—	524,583,440	524,583,440
Interest	—	—	332,808,521	332,808,521
Accrued Interest on Bonds Retired in Advance	—	—	203,963	203,963
Discount on Bonds Retired in Advance	—	—	(10,229,169)	(10,229,169)
Other Debt Service Expenditures	—	5,743,483	5,318,887	11,062,370
<b>Total Expenditures</b>	<b>\$ 25,800,861,307</b>	<b>\$ 492,516,166</b>	<b>\$ 853,619,375</b>	<b>\$ 27,146,996,848</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 2,926,937,087</b>	<b>\$ (453,122,660)</b>	<b>\$ (852,323,484)</b>	<b>\$ 1,621,490,943</b>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issuance	\$ —	\$ 206,875,000	\$ —	\$ 206,875,000
Refunding Bonds Issuance	—	—	458,605,000	458,605,000
Premium on General Obligation Bonds Sold	—	4,815,321	—	4,815,321
Premium on Refunding Bonds Sold	—	—	61,956,825	61,956,825
Payment to Refunded Bond Escrow Agent	—	—	(519,316,674)	(519,316,674)
Capital Leases	1,643,969	—	—	1,643,969
Transfers In	172,044,324	—	851,235,170	1,023,279,494
Transfers Out	(2,859,081,980)	(191,362,353)	—	(3,050,444,333)
<b>Net Other Financing Sources (Uses)</b>	<b>\$ (2,685,393,687)</b>	<b>\$ 20,327,968</b>	<b>\$ 852,480,321</b>	<b>\$ (1,812,585,398)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>\$ 241,543,400</b>	<b>\$ (432,794,692)</b>	<b>\$ 156,837</b>	<b>\$ (191,094,455)</b>
<b>Fund Balances, July 1 (Restated)</b>	<b>3,548,277,078</b>	<b>1,228,811,620</b>	<b>8,932,602</b>	<b>4,786,021,300</b>
Adjustments	(23,568,658)	—	—	(23,568,658)
<b>Fund Balances, June 30</b>	<b>\$ 3,766,251,820</b>	<b>\$ 796,016,928</b>	<b>\$ 9,089,439</b>	<b>\$ 4,571,358,187</b>

The notes to the financial statements are an integral part of this statement.

# State of Georgia

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2005

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses - Governmental Funds	\$	(191,094,455)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay (net of losses), net of transfers to Business-Type Activities, Component Units and outside organizations.	\$	485,713,039	
Depreciation expense		(1,074,260,253)	(588,547,214)

Collection of long-term receivables is reported as revenue in governmental funds, but the collection reduces the receivable in the Statement of Net Assets.			(3,517,765)
---	--	--	-------------

Bond proceeds (net of issuance costs and payments to refunding escrow) provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.			(211,268,824)
---	--	--	---------------

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.			(1,643,968)
---	--	--	-------------

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets. Payments were made on the following long-term liabilities:			
General Obligation Bonds	\$	528,325,000	
Contracts		13,628,972	
Notes		691,975	
Capital Leases		1,862,367	544,508,314

Internal service funds are used by management to charge the costs of certain activities to individual funds. The incorporation of the external activities of these funds, and the elimination of profit/loss generated by primary government customers results in net revenue (expense) for Governmental Activities.			46,555,504
--	--	--	------------

Inventories accounted for using the purchases method are reported in the governmental funds. In the Statement of Net Assets, such amounts are reported as assets until the inventory is consumed.

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes in the following balances:

Compensated Absences	\$	(7,085,222)	
Accrued Interest on Bonds Payable		(2,057,755)	
Arbitrage Rebate		6,286,513	
Amortization of Deferred Amount on Refunding		(5,102,663)	
Amortization of Bond Premiums		5,830,847	
Allocation of Deferred Bond Issuance Costs		(590,988)	(2,719,268)

Change in Net Assets - Governmental Activities	\$	(407,727,676)
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The notes to the financial statements are an integral part of this statement.

# State of Georgia

## Statement of Net Assets Proprietary Funds June 30, 2005

	Business-Type Activities		
	Major Funds		
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 529,944,962	\$ 166,148,412	\$ 1,128,603,300
Investments	124,979,924	47,741,051	—
Accounts Receivable (Net of Allowances for Uncollectibles)	126,118,880	35,185,607	150,062,224
Due From Other Funds	—	—	—
Due From Component Units	76,323,878	—	—
Intergovernmental Receivables	67,220,054	—	106,008
Inventories	25,786,996	—	—
Prepaid Items	31,882,830	—	—
Other Assets	152,886	—	—
Noncurrent Assets:			
Cash and Cash Equivalents	11,163,428	—	—
Investments	133,872,495	93,341,463	—
Notes Receivable	45,529,931	—	—
Capital Assets:			
Land	193,690,613	—	—
Buildings and Building Improvements	4,784,356,713	—	—
Improvements Other Than Buildings	260,926,121	—	—
Machinery and Equipment	1,285,078,954	—	—
Software	—	—	—
Library Collections	576,289,200	—	—
Works of Art and Collections	17,679,002	—	—
Infrastructure	252,065,840	—	—
Construction in Progress	139,723,225	—	—
Accumulated Depreciation	(2,643,042,091)	—	—
<b>Total Assets</b>	<b>\$ 6,039,743,841</b>	<b>\$ 342,416,533</b>	<b>\$ 1,278,771,532</b>

The notes to the financial statements are an integral part of this statement.

- Enterprise Funds			
Nonmajor Fund		Governmental Activities - Internal Service Funds	
Georgia Technology Authority	Total		
\$ 79,077,320	\$ 1,903,773,994	\$ 128,988,484	
16,847,736	189,568,711	78,895,713	
5,284,560	316,651,271	9,166,189	
9,820,405	9,820,405	1,799,000	
24,569	76,348,447	—	
45,660	67,371,722	—	
1,314,221	27,101,217	7,414,532	
—	31,882,830	189,610	
—	152,886	—	
—	11,163,428	—	
—	227,213,958	1,093,182,358	
—	45,529,931	—	
31,198	193,721,811	21,499,909	
1,020,441	4,785,377,154	331,688,881	
—	260,926,121	5,031,863	
72,931,183	1,358,010,137	25,303,590	
41,929,635	41,929,635	—	
—	576,289,200	—	
—	17,679,002	1,239,575	
—	252,065,840	—	
—	139,723,225	—	
(88,065,810)	(2,731,107,901)	(147,552,982)	
\$ 140,261,118	\$ 7,801,193,024	\$ 1,556,846,722	
		(continued)	

# State of Georgia

## Statement of Net Assets Proprietary Funds (continued) June 30, 2005

	Business-Type Activities		
	Major Funds		
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Other Accruals	\$ 95,105,385	\$ 8,212,091	\$ 2,523,640
Due to Other Funds	1,002,152	—	—
Due to Component Units	8,539,516	—	—
Salaries/Withholdings Payable	14,746,524	8,058	—
Benefits Payable	27,583,054	175,577,240	7,977,332
Contracts Payable	5,953,361	—	—
Funds Held for Others	40,434,204	—	—
Deferred Revenue	182,753,820	54,629,429	23,795,378
Deposits	22,839,311	—	—
Claims and Judgments Payable	—	—	—
Compensated Absences Payable - Current	92,420,628	130,519	—
Capital Leases/Installment Purchases Payable - Current	19,079,644	—	—
Notes Payable - Current	569,843	—	—
Other Current Liabilities	8,266,873	—	—
Noncurrent Liabilities:			
Deferred Revenue	2,033,729	—	—
Compensated Absences Payable	67,565,210	109,407	—
Capital Leases/Installment Purchases Payable	658,975,578	—	—
Notes Payable	3,674,023	—	—
Total Liabilities	\$ 1,251,542,855	\$ 238,666,744	\$ 34,296,350
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 4,186,267,618	\$ —	\$ —
Restricted for:			
Distance Learning and Telemedicine	—	—	—
Permanent Trusts:			
Nonexpendable	118,985,287	—	—
Expendable	199,528,381	—	—
Unemployment Compensation Benefits	—	—	1,244,475,182
Other Purposes	21,226,392	—	—
Unrestricted	262,193,308	103,749,789	—
Total Net Assets	\$ 4,788,200,986	\$ 103,749,789	\$ 1,244,475,182

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

Net Assets of Business-Type Activities

The notes to the financial statements are an integral part of this statement.

- Enterprise Funds			
Nonmajor Fund		Governmental Activities -	
Georgia Technology Authority	Total	Internal Service Funds	
\$ 6,892,633	\$ 112,733,749	\$ 9,179,838	
—	1,002,152	207,273	
—	8,539,516	—	
94,183	14,848,765	11,135	
—	211,137,626	—	
—	5,953,361	28,083	
—	40,434,204	—	
11,632	261,190,259	5,349,292	
—	22,839,311	797,467	
1,000,000	1,000,000	388,389,305	
2,049,633	94,600,780	2,583,517	
—	19,079,644	—	
—	569,843	—	
—	8,266,873	—	
—	2,033,729	—	
1,891,888	69,566,505	1,271,567	
—	658,975,578	—	
—	3,674,023	—	
<u>\$ 11,939,969</u>	<u>\$ 1,536,445,918</u>	<u>\$ 407,817,477</u>	
\$ 27,846,647	\$ 4,214,114,265	\$ 237,210,836	
15,662,279	15,662,279	—	
—	118,985,287	—	
—	199,528,381	—	
—	1,244,475,182	—	
—	21,226,392	3,320,478	
<u>84,812,223</u>	<u>450,755,320</u>	<u>908,497,931</u>	
<u>\$ 128,321,149</u>	<u>\$ 6,264,747,106</u>	<u>\$ 1,149,029,245</u>	
	<u>\$ (84,325,817)</u>		
	<u>\$ 6,180,421,289</u>		

# State of Georgia

## Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2005

	Business-Type Activities		
	Major Funds		
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund
Operating Revenues:			
Grants and Contributions/Premiums	\$ 1,303,665,002	\$ 1,805,784,105	\$ 761,595,143
Rents and Royalties	3,889,523	—	—
Sales and Services	522,465,742	—	—
Tuition and Fees	1,001,738,787	—	—
Less: Scholarship Allowances	(196,103,108)	—	—
Other	398,334,595	—	121,452
Total Operating Revenues	\$ 3,033,990,541	\$ 1,805,784,105	\$ 761,716,595
Operating Expenses:			
Personal Services	\$ 3,155,067,002	\$ 3,718,587	\$ —
Services and Supplies	1,843,279,412	600,830,904	—
Benefits	—	1,487,907,145	584,260,307
Claims and Judgments	—	—	—
Depreciation	251,647,451	—	—
Total Operating Expenses	\$ 5,249,993,865	\$ 2,092,456,636	\$ 584,260,307
Operating Income (Loss)	\$ (2,216,003,324)	\$ (286,672,531)	\$ 177,456,288
Nonoperating Revenues (Expenses):			
Grants and Contributions	\$ 179,687,996	\$ —	\$ —
Interest and Other Investment Income	23,700,485	10,007,243	52,682,692
Interest Expense	(35,410,879)	—	—
Other	(2,655,390)	—	—
Total Nonoperating Revenues (Expenses)	\$ 165,322,212	\$ 10,007,243	\$ 52,682,692
Income (Loss) Before Contributions and Transfers	\$ (2,050,681,112)	\$ (276,665,288)	\$ 230,138,980
Capital Contributions	\$ 379,345,915	\$ —	\$ —
Transfers:			
Transfers In	\$ 1,977,227,533	\$ 33,956,708	\$ —
Transfers Out	(2,251,048)	—	—
Net Transfers	\$ 1,974,976,485	\$ 33,956,708	\$ 0
Change in Net Assets	\$ 303,641,288	\$ (242,708,580)	\$ 230,138,980
Net Assets, July 1 (Restated)	4,484,559,698	346,458,369	1,014,336,202
Net Assets, June 30	\$ 4,788,200,986	\$ 103,749,789	\$ 1,244,475,182

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

Change in Net Assets of Business-Type Activities

The notes to the financial statements are an integral part of this statement.

- Enterprise Funds			
Nonmajor Fund		Governmental Activities -	
Georgia Technology Authority	Total	Internal Service Funds	
\$ —	\$ 3,871,044,250	\$ 47,984,186	
—	3,889,523	41,223,874	
204,245,926	726,711,668	56,185,248	
—	1,001,738,787	—	
—	(196,103,108)	—	
—	398,456,047	7,560,153	
<u>\$ 204,245,926</u>	<u>\$ 5,805,737,167</u>	<u>\$ 152,953,461</u>	
\$ 46,785,224	\$ 3,205,570,813	\$ 38,003,531	
132,242,780	2,576,353,096	85,980,841	
—	2,072,167,452	21,916,000	
—	0	118,760,009	
13,512,394	265,159,845	12,378,316	
<u>\$ 192,540,398</u>	<u>\$ 8,119,251,206</u>	<u>\$ 277,038,697</u>	
\$ 11,705,528	\$ (2,313,514,039)	\$ (124,085,236)	
\$ —	\$ 179,687,996	\$ —	
1,816,277	88,206,697	96,958,257	
—	(35,410,879)	—	
(249,867)	(2,905,257)	1,314,613	
<u>\$ 1,566,410</u>	<u>\$ 229,578,557</u>	<u>\$ 98,272,870</u>	
\$ 13,271,938	\$ (2,083,935,482)	\$ (25,812,366)	
\$ —	\$ 379,345,915	\$ 25,948,883	
\$ 18,574,112	\$ 2,029,758,353	\$ 31,860,085	
(15,723,100)	(17,974,148)	(19,896,956)	
<u>\$ 2,851,012</u>	<u>\$ 2,011,784,205</u>	<u>\$ 11,963,129</u>	
\$ 16,122,950	\$ 307,194,638	\$ 12,099,646	
112,198,199		1,136,929,599	
<u>\$ 128,321,149</u>		<u>\$ 1,149,029,245</u>	
	(34,455,858)		
	<u>\$ 272,738,780</u>		

# State of Georgia

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2005

	Business-Type Activities	
	Major Funds	
	Higher Education Fund	State Employees' Health Benefit Plan
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 613,157,858	\$ —
Cash Received from Grants and Required Contributions/Premiums	1,297,296,610	1,805,627,920
Cash Received from Tuition and Fees	838,132,538	—
Cash Paid to Vendors	(2,160,299,525)	(594,139,973)
Cash Paid to Employees	(2,433,509,569)	(3,668,727)
Cash Paid for Benefits	—	(1,478,374,396)
Cash Paid for Claims and Judgments	—	—
Cash Paid for Scholarships, Fellowships and Loans	(258,354,187)	—
Other Operating Items (Net)	251,272,213	—
Net Cash Provided by (Used in) Operating Activities	\$ (1,852,304,062)	\$ (270,555,176)
Cash Flows from Noncapital Financing Activities:		
Transfers from Other Funds	\$ 1,977,227,533	\$ 33,956,708
Transfers to Other Funds	(2,251,048)	—
Other Noncapital Items (Net)	198,779,673	—
Net Cash Provided by Noncapital Financing Activities	\$ 2,173,756,158	\$ 33,956,708
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	\$ 45,924,086	\$ —
Proceeds from Sale of Capital Assets	(2,186,366)	—
Acquisition and Construction of Capital Assets	(218,261,830)	—
Principal Paid on Capital Debt	(20,055,579)	—
Interest Paid on Capital Debt	(35,130,625)	—
Net Cash Used in Capital and Related Financing Activities	\$ (229,710,314)	\$ 0
Cash Flows from Investing Activities:		
Purchase of Investments (Net)	\$ (12,450,818)	\$ 115,508,814
Interest and Dividends Received	22,902,045	10,007,243
Net Cash Provided by Investing Activities	\$ 10,451,227	\$ 125,516,057
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 102,193,009	\$ (111,082,411)
Cash and Cash Equivalents, July 1	438,915,381	277,230,823
Cash and Cash Equivalents, June 30	\$ 541,108,390	\$ 166,148,412

The notes to the financial statements are an integral part of this statement.

- Enterprise Funds

<u>Unemployment Compensation Fund</u>	<u>Nonmajor Fund Georgia Technology Authority</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ —	\$ 204,374,577	\$ 817,532,435	\$ 100,804,795
807,304,718	—	3,910,229,248	48,270,676
—	—	838,132,538	—
—	(125,319,425)	(2,879,758,923)	(81,736,033)
—	(46,759,995)	(2,483,938,291)	(38,260,433)
(584,059,338)	—	(2,062,433,734)	(21,916,000)
—	—	0	(108,640,191)
—	—	(258,354,187)	—
—	—	251,272,213	6,628,088
<u>\$ 223,245,380</u>	<u>\$ 32,295,157</u>	<u>\$ (1,867,318,701)</u>	<u>\$ (94,849,098)</u>
\$ —	\$ 18,574,112	\$ 2,029,758,353	\$ 32,556,235
—	(15,723,100)	(17,974,148)	(20,597,506)
—	—	198,779,673	299,159
<u>\$ 0</u>	<u>\$ 2,851,012</u>	<u>\$ 2,210,563,878</u>	<u>\$ 12,257,888</u>
\$ —	\$ —	\$ 45,924,086	\$ 3,378,384
—	—	(2,186,366)	2,553,368
—	(10,567,819)	(228,829,649)	(15,417,341)
—	(4,610,623)	(24,666,202)	—
—	(227,410)	(35,358,035)	—
<u>\$ 0</u>	<u>\$ (15,405,852)</u>	<u>\$ (245,116,166)</u>	<u>\$ (9,485,589)</u>
\$ —	\$ 4,979,179	\$ 108,037,175	\$ 8,532,893
52,682,692	1,816,277	87,408,257	106,281,380
<u>\$ 52,682,692</u>	<u>\$ 6,795,456</u>	<u>\$ 195,445,432</u>	<u>\$ 114,814,273</u>
\$ 275,928,072	\$ 26,535,773	\$ 293,574,443	\$ 22,737,474
852,675,228	52,541,547	1,621,362,979	106,251,010
<u>\$ 1,128,603,300</u>	<u>\$ 79,077,320</u>	<u>\$ 1,914,937,422</u>	<u>\$ 128,988,484</u>

(continued)

# State of Georgia

## Statement of Cash Flows Proprietary Funds (continued) For the Fiscal Year Ended June 30, 2005

	Business-Type Activities	
	Major Funds	
	State	
	Higher Education Fund	Employees' Health Benefit Plan
Operating Income (Loss)	\$ (2,216,003,324)	\$ (286,672,531)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	251,647,451	—
Changes in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	6,413,191	(6,885,166)
Increase in Due From Other Funds	—	—
Increase in Due From Component Units	—	—
Decrease (Increase) in Intergovernmental Receivables	—	—
Decrease (Increase) in Inventories	(2,109,769)	—
Decrease (Increase) in Prepaid Items	(285,256)	—
Increase in Other Assets	(2,361,825)	—
Increase in Notes Receivable	(1,100,199)	—
Increase (Decrease) in Accounts Payable and Other Accruals	(476,185)	6,690,931
Decrease in Due to Other Funds	—	—
Increase (Decrease) in Salaries/Withholdings Payable	(21,124)	5,769
Increase in Benefits Payable	—	9,532,749
Increase in Contracts Payable	—	—
Increase (Decrease) in Deferred Revenue	11,494,732	6,728,981
Increase in Customer Deposits	—	—
Increase in Claims and Judgments Payable	—	—
Increase (Decrease) in Compensated Absences Payable	8,531,364	44,091
Increase in Other Liabilities	91,966,882	—
Net Cash Provided by (Used) in Operating Activities	\$ <u>(1,852,304,062)</u>	\$ <u>(270,555,176)</u>
Noncash Investing, Capital, and Financing Activities:		
Acquisition of Capital Assets through Capital Leases	\$ 225,695,473	\$ —
Donation of Capital Assets	346,882,991	—
Net Increase (Decrease) in Fair Value of Investments	252,062	—

The notes to the financial statements are an integral part of this statement.

- Enterprise Funds

<u>Unemployment Compensation Fund</u>	<u>Nonmajor Fund Georgia Technology Authority</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 177,456,288	\$ 11,705,528	\$ (2,313,514,039)	\$ (124,085,236)
—	13,512,394	265,159,845	12,378,316
40,308,374	637,505	40,473,904	(1,603,105)
—	(492,317)	(492,317)	(277,094)
—	(21,560)	(21,560)	—
102,067	(6,609)	95,458	—
—	202,017	(1,907,752)	(629,872)
—	16,864	(268,392)	25,615
—	—	(2,361,825)	—
—	—	(1,100,199)	—
2,522,288	5,704,474	14,441,508	5,148,361
—	—	0	(282,462)
—	51,031	35,676	(80,747)
170,968	—	9,703,717	—
—	—	0	843
2,685,395	11,632	20,920,740	4,163,884
—	—	0	466,713
—	1,000,000	1,000,000	10,119,818
—	(25,802)	8,549,653	(194,132)
—	—	91,966,882	—
<u>\$ 223,245,380</u>	<u>\$ 32,295,157</u>	<u>\$ (1,867,318,701)</u>	<u>\$ (94,849,098)</u>

\$ —	\$ —	\$ 225,695,473	\$ —
—	—	346,882,991	22,646,307
—	—	252,062	(9,323,123)

# State of Georgia

## Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2005

	Pension Trust	Investment Trust	Private Purpose Trust	Agency	Total
<b>Assets</b>					
Cash and Cash Equivalents	\$ 24,173,783	\$ 2,756,727,582	\$ 8,917,836	\$ 347,102,489	\$ 3,136,921,690
Receivables					
Interest and Dividends	299,092,280	29,192	—	—	299,121,472
Due from Brokers for Securities Sold	50,674,586	—	—	—	50,674,586
Other	167,612,283	—	—	(239,366)	167,372,917
Investments, at Fair Value					
Certificates of Deposit	—	—	—	2,962,683	2,962,683
Investment Accounts	62,285,975	—	—	—	62,285,975
Pooled Investments	13,947,331,975	974,676,624	1,847,527	70,773,199	14,994,629,325
Mutual Funds	89,881,748	—	—	—	89,881,748
Repurchase Agreements	752,404,000	—	—	—	752,404,000
U. S. Government Securities and					
Corporate Obligations	17,434,096,357	—	—	—	17,434,096,357
Stocks	27,546,764,968	—	—	—	27,546,764,968
Mortgage Investments	45,560,113	—	—	—	45,560,113
Capital Assets					
Land	2,021,656	—	—	—	2,021,656
Buildings	6,014,020	—	—	—	6,014,020
Software	17,016,647	—	—	—	17,016,647
Machinery and Equipment	2,271,315	—	172,124	—	2,443,439
Construction in Progress	39,673	—	—	—	39,673
Accumulated Depreciation	(4,394,481)	—	(123,769)	—	(4,518,250)
Other Assets	—	—	—	2,037,149	2,037,149
<b>Total Assets</b>	<b>\$ 60,442,846,898</b>	<b>\$ 3,731,433,398</b>	<b>\$ 10,813,718</b>	<b>\$ 422,636,154</b>	<b>\$ 64,607,730,168</b>
<b>Liabilities</b>					
Accounts Payable and Other Accruals	\$ 13,762,060	\$ —	\$ 21,128	\$ 4,929,364	\$ 18,712,552
Due to Other Funds	1,799,000	—	10	—	1,799,010
Due to Brokers for Securities Purchased	119,560,327	—	—	—	119,560,327
Salaries/Withholdings Payable	14,618,591	—	—	—	14,618,591
Funds Held for Others	—	—	—	341,346,412	341,346,412
Deferred Revenue	10,223	—	—	—	10,223
Compensated Absences Payable	28,691	—	124,333	—	153,024
Capital Leases Payable	9,901	—	—	—	9,901
Other Liabilities	—	—	—	76,360,378	76,360,378
<b>Total Liabilities</b>	<b>\$ 149,788,793</b>	<b>\$ 0</b>	<b>\$ 145,471</b>	<b>\$ 422,636,154</b>	<b>\$ 572,570,418</b>
<b>Net Assets</b>					
Held in Trust for:					
Pension Benefits	\$ 60,293,058,105	\$ —	\$ —	\$ —	\$ 60,293,058,105
Pool Participants	—	3,731,433,398	—	—	3,731,433,398
Other Purposes	—	—	10,668,247	—	10,668,247
<b>Total Net Assets</b>	<b>\$ 60,293,058,105</b>	<b>\$ 3,731,433,398</b>	<b>\$ 10,668,247</b>	<b>\$ 0</b>	<b>\$ 64,035,159,750</b>

The notes to the financial statements are an integral part of this statement.

# State of Georgia

## Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Fiscal Year Ended June 30, 2005

	Pension Trust	Investment Trust	Private Purpose Trust	Total
<b>Additions:</b>				
Contributions/Assessments				
Employer	\$ 1,061,590,646	\$ —	\$ —	\$ 1,061,590,646
Plan Members/Participants	541,871,950	—	94,692,628	636,564,578
Other Contributions				
Fines and Bond Forfeitures	21,755,196	—	—	21,755,196
Insurance Company Premium Taxes	19,365,022	—	—	19,365,022
Other Fees	2,618,397	—	—	2,618,397
Interest and Other Investment Income				
Dividends and Interest	1,532,072,691	90,575,564	1,048,848	1,623,697,103
Net Appreciation (Depreciation) in Investments Reported at				
Fair Value	2,879,672,520	(3,948,557)	—	2,875,723,963
Less: Investment Expense	(58,511,749)	(1,103,899)	—	(59,615,648)
Pool Participant Deposits	—	5,325,829,494	—	5,325,829,494
Other				
Transfers from Other Funds	3,417,505	—	—	3,417,505
Miscellaneous	450,412	—	1,527	451,939
<b>Total Additions</b>	<b>\$ 6,004,302,590</b>	<b>\$ 5,411,352,602</b>	<b>\$ 95,743,003</b>	<b>\$ 11,511,398,195</b>
<b>Deductions:</b>				
General and Administrative Expenses	\$ 32,078,121	\$ —	\$ 2,418,719	\$ 34,496,840
Benefits	2,673,929,362	—	94,349,657	2,768,279,019
Pool Participant Withdrawals	—	5,544,444,604	—	5,544,444,604
Refunds	67,970,844	—	—	67,970,844
<b>Total Deductions</b>	<b>\$ 2,773,978,327</b>	<b>\$ 5,544,444,604</b>	<b>\$ 96,768,376</b>	<b>\$ 8,415,191,307</b>
<b>Change in Net Assets Held in Trust for:</b>				
Pension Benefits	\$ 3,230,324,263	\$ —	\$ —	\$ 3,230,324,263
Pool Participants	—	(133,092,002)	—	(133,092,002)
Other Purposes	—	—	(1,025,373)	(1,025,373)
<b>Net Assets, July 1 (Restated)</b>	<b>57,062,733,842</b>	<b>3,864,525,400</b>	<b>11,693,620</b>	<b>60,938,952,862</b>
<b>Net Assets, June 30</b>	<b>\$ 60,293,058,105</b>	<b>\$ 3,731,433,398</b>	<b>\$ 10,668,247</b>	<b>\$ 64,035,159,750</b>

The notes to the financial statements are an integral part of this statement.

# State of Georgia

## Combining Statement of Net Assets

### Component Units

For the Fiscal Year Ended June 30, 2005

	Environmental Facilities Authority	Georgia Tech Foundation, Incorporated	Housing and Finance Authority
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 284,197,814	\$ 3,125,000	\$ 25,992,506
Investments	87,961,231	4,800,000	10,208,189
Receivables			
Accounts (Net)	9,571,975	5,948,457	—
Taxes	—	—	—
Interest and Dividends	6,750,908	—	718,456
Notes and Loans	—	728,000	—
Due from Primary Government	—	—	—
Due from Component Units	—	—	—
Intergovernmental Receivables	—	—	—
Inventories	—	—	—
Prepaid Items	—	—	—
Other Current Assets	—	6,263,233	14,167,091
Noncurrent Assets:			
Investments	96,143,711	1,003,837,000	70,364,797
Receivables (Net)			
Notes and Loans	—	1,284,000	183,473,850
Other	—	180,591,310	—
Due from Component Units	—	—	—
Restricted Assets			
Cash and Cash Equivalents	7,622,275	—	98,110,935
Investments	—	—	18,239,548
Receivables			
Loans (Net)	748,865,604	—	544,868,079
Interest and Dividends	—	—	5,837,488
Other	—	—	—
Deferred Charges	—	—	13,875,390
Capital Assets:			
Land	—	2,553,000	800,000
Buildings and Building Improvements	—	38,051,000	3,865,000
Improvements Other Than Buildings	—	—	1,434,846
Machinery and Equipment	51,694	6,805,000	767,405
Software	—	—	—
Works of Art and Collections	—	—	—
Infrastructure	—	—	—
Construction in Progress	—	—	—
Accumulated Depreciation	(35,488)	(4,567,000)	(3,241,794)
Other Noncurrent Assets	62,885	21,540,000	—
Total Assets	\$ 1,241,192,609	\$ 1,270,959,000	\$ 989,481,786

The notes to the financial statements are an integral part of this statement.

<u>Lottery Corporation</u>	<u>Road and Tollway Authority</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
\$ 2,003,865	\$ 4,383,122	\$ 553,825,323	\$ 873,527,630
—	20,655,041	147,663,188	271,287,649
101,057,000	21,779	295,297,320	411,896,531
—	—	267,734	267,734
—	—	3,523,945	10,993,309
—	—	87,967,224	88,695,224
—	—	8,539,516	8,539,516
—	—	10,302,000	10,302,000
—	—	5,513,103	5,513,103
—	—	14,374,404	14,374,404
1,152,000	—	1,921,104	3,073,104
—	—	67,088,075	87,518,399
—	—	897,332,404	2,067,677,912
—	—	82,772,672	267,530,522
—	—	182,884,086	363,475,396
—	—	61,369,437	61,369,437
440,000	30,774,125	10,776,963	147,724,298
218,424,000	285,334,782	40,525,154	562,523,484
—	—	—	1,293,733,683
—	—	—	5,837,488
—	—	61,700	61,700
—	3,727,713	—	17,603,103
—	10,415,915	258,345,740	272,114,655
2,396,000	4,938,197	1,229,638,271	1,278,888,468
—	2,484,921	244,160,001	248,079,768
14,019,000	4,618,709	480,840,708	507,102,516
437,000	685,429	—	1,122,429
—	—	201,048	201,048
—	—	154,272,387	154,272,387
—	—	177,338,654	177,338,654
(14,647,000)	(8,717,577)	(781,015,249)	(812,224,108)
—	35,870,493	64,216,526	121,689,904
<u>\$ 325,281,865</u>	<u>\$ 395,192,649</u>	<u>\$ 4,300,003,438</u>	<u>\$ 8,522,111,347</u>

(continued)

# State of Georgia

## Combining Statement of Net Assets Component Units (continued) June 30, 2005

	Environmental Facilities Authority	Georgia Tech Foundation, Incorporated	Housing and Finance Authority
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Other Accruals	\$ 2,731,517	\$ 1,517,593	\$ 23,924,353
Due to Primary Government	313	5,131,821	725,612
Due to Component Units	—	10,302,000	—
Salaries/Withholdings Payable	—	—	—
Accrued Interest Payable	1,112,275	—	2,509,565
Contracts Payable	—	—	—
Funds Held for Others	—	—	—
Deferred Revenue	7,974,749	—	—
Compensated Absences Payable - Current	43,671	268,431	—
Capital Leases/Installment Purchases Payable - Current	—	—	—
Notes and Loans Payable - Current	—	—	—
Revenue Bonds Payable - Current	6,510,000	4,180,000	50,751,000
Grand Prizes Payable - Current	—	—	—
Other Current Liabilities	—	9,511,565	32,759,685
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	—	—	—
Deferred Revenue	—	—	—
Revenue Bonds Payable - Current	—	—	—
Other	—	—	—
Noncurrent Liabilities:			
Deferred Revenue	—	—	192,826,330
Compensated Absences Payable	174,686	—	—
Capital Leases/Installment Purchases Payable	—	—	—
Notes and Loans Payable	—	—	—
Revenue/Mortgage Bonds Payable	40,929,957	217,875,000	559,938,683
Grand Prizes Payable	—	—	—
Advances from Primary Government	—	—	—
Due to Component Units	—	61,369,437	—
Other Noncurrent Liabilities	—	67,198,153	—
Total Liabilities	\$ 59,477,168	\$ 377,354,000	\$ 863,435,228
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 16,206	\$ 3,175,347	\$ 3,625,457
Restricted for:			
Bond Covenants/Debt Service	25,205,835	—	—
Construction	—	12,031,906	—
Higher Education	—	—	—
Expendable	—	266,785,094	—
Nonexpendable	—	296,172,000	—
Loan and Grant Programs	23,321,625	—	—
Other Purposes	—	—	—
Unrestricted	1,133,171,775	315,440,653	122,421,101
Total Net Assets	\$ 1,181,715,441	\$ 893,605,000	\$ 126,046,558

The notes to the financial statements are an integral part of this statement.

<u>Lottery Corporation</u>	<u>Road and Tollway Authority</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
\$ 54,958,000	\$ 1,735,058	\$ 101,354,551	\$ 186,221,072
46,692,865	23,322,005	74,688,539	150,561,155
—	—	—	10,302,000
—	—	7,561,139	7,561,139
—	—	—	3,621,840
—	—	7,235,840	7,235,840
—	—	20,523,919	20,523,919
—	—	86,770,920	94,745,669
222,000	—	10,987,419	11,521,521
—	—	1,817,060	1,817,060
—	—	64,223,828	64,223,828
—	29,790,000	16,029,164	107,260,164
12,323,000	—	—	12,323,000
—	—	34,379,677	76,650,927
—	10,342,992	4,763,009	15,106,001
—	3,416,237	—	3,416,237
—	—	6,380,000	6,380,000
—	152,307	—	152,307
—	—	165,318,647	358,144,977
1,611,000	—	6,199,090	7,984,776
—	—	13,111,443	13,111,443
—	—	56,344,210	56,344,210
—	666,448,466	1,135,329,418	2,620,521,524
192,941,000	—	—	192,941,000
—	—	28,461,917	28,461,917
—	—	—	61,369,437
494,000	—	50,784,411	118,476,564
<u>\$ 309,241,865</u>	<u>\$ 735,207,065</u>	<u>\$ 1,892,264,201</u>	<u>\$ 4,236,979,527</u>
\$ 2,205,000	\$ 14,425,594	\$ 914,597,311	\$ 938,044,915
—	—	28,462,144	53,667,979
—	—	13,794,300	25,826,206
—	—	348,787,477	615,572,571
—	—	589,491,736	885,663,736
—	—	—	23,321,625
440,000	—	4,504,315	4,944,315
13,395,000	(354,440,010)	508,101,954	1,738,090,473
<u>\$ 16,040,000</u>	<u>\$ (340,014,416)</u>	<u>\$ 2,407,739,237</u>	<u>\$ 4,285,131,820</u>

# State of Georgia

## Combining Statement of Activities

### Component Units

For the Fiscal Year Ended June 30, 2005

	Environmental Facilities Authority	Georgia Tech Foundation, Incorporated	Housing and Finance Authority
Expenses	\$ 30,947,380	\$ 60,260,000	\$ 87,038,856
Program Revenues:			
Sales and Charges for Services	\$ 27,903,883	\$ 15,472,000	\$ 47,646,693
Operating Grants and Contributions	29,430,457	68,446,073	34,326,822
Capital Grants and Contributions	81,341,763	—	—
Total Program Revenues	\$ 138,676,103	\$ 83,918,073	\$ 81,973,515
Net (Expenses) Revenue	\$ 107,728,723	\$ 23,658,073	\$ (5,065,341)
General Revenues:			
Taxes	\$ —	\$ —	\$ —
Unrestricted Investment Income	541,713	40,306,334	11,984,395
Payments from the State of Georgia	—	—	—
Permanent Endowment Contributions	—	16,822,593	—
Other	77,096	—	—
Total General Revenues	\$ 618,809	\$ 57,128,927	\$ 11,984,395
Change in Net Assets	\$ 108,347,532	\$ 80,787,000	\$ 6,919,054
Net Assets, July 1	1,073,367,909	812,818,000	119,127,504
Change in Accounting Principle	—	—	—
Correction of Prior Year Errors	—	—	—
Capital Assets	—	—	—
Accumulated Depreciation	—	—	—
Net Assets, June 30	\$ 1,181,715,441	\$ 893,605,000	\$ 126,046,558

The notes to the financial statements are an integral part of this statement.

<u>Lottery Corporation</u>	<u>Road and Tollway Authority</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
\$ 2,739,572,000	\$ 236,969,656	\$ 1,511,933,889	\$ 4,666,721,781
\$ 2,739,049,000	\$ 20,353,541	\$ 762,912,111	\$ 3,613,337,228
—	—	685,565,538	817,768,890
—	—	31,062,609	112,404,372
\$ 2,739,049,000	\$ 20,353,541	\$ 1,479,540,258	\$ 4,543,510,490
\$ (523,000)	\$ (216,616,115)	\$ (32,393,631)	\$ (123,211,291)
\$ —	\$ —	\$ 22,877,734	\$ 22,877,734
7,470,000	7,673,915	56,496,796	124,473,153
—	80,026,216	105,284,204	185,310,420
—	—	5,386,236	22,208,829
—	45,810	20,268,115	20,391,021
\$ 7,470,000	\$ 87,745,941	\$ 210,313,085	\$ 375,261,157
\$ 6,947,000	\$ (128,870,174)	\$ 177,919,454	\$ 252,049,866
9,093,000	(211,144,242)	2,604,443,366	4,407,705,537
—	—	(367,330,809)	(367,330,809)
—	—	6,485,776	6,485,776
—	—	(13,778,550)	(13,778,550)
\$ 16,040,000	\$ (340,014,416)	\$ 2,407,739,237	\$ 4,285,131,820

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# State of Georgia

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# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies

#### A. Basis of Presentation

With the exception of the departures from generally accepted accounting principles (GAAP) disclosed in the following paragraphs, the financial statements of the State of Georgia have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

#### B. Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered both the organizations that comprise the primary government and potential component units. The primary government consists of all the organizations that compose the legal entity of the State of Georgia. All agencies, departments, authorities, commissions, courts, councils, boards, universities, colleges, retirement funds, associations and other funds that are not legally separate are, for financial reporting purposes, considered part of the primary government. In addition, included within the primary government are organizations which are legally separate but so intertwined with the primary government that they are, in substance, part of the primary government.

The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of the GASB Codification. This Section defines a component unit as a legally separate organization for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and the significance of the relationship with the primary government, including the ongoing financial support of the primary government or its other component units, are such that exclusion would cause the financial statements to be misleading or incomplete.

Financial accountability is the ability of the State to appoint a voting majority of an organization's governing board and to impose its will upon the organization or when there exists the potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government.

In addition, organizations that are fiscally dependent upon the primary government were considered as potential component units.

#### Blended Component Units

As required by GAAP, these financial statements present the government and its component units. Blended component units, although legally separate entities are, in substance, part of the government's operations and therefore data from these units are combined with that of the primary government. The blended component units are as follows:

##### *Capital Projects Funds*

Georgia Building Authority (Hospital).  
Georgia Building Authority (Markets)  
Georgia Building Authority (Penal)  
Georgia Education Authority (University)

##### *Enterprise Funds*

Higher Education Fund  
Georgia Military College  
Georgia Technology Authority

##### *Internal Service Funds*

Georgia Building Authority  
Georgia Correctional Industries Administration

#### Discretely Presented Component Units

Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The discretely presented component units are as follows:

##### *Authorities and Similar Organizations*

Geo. L. Smith II Georgia World Congress Center Authority  
Georgia Agricultural Exposition Authority  
Georgia Agrirama Development Authority  
Georgia Development Authority  
Georgia Environmental Facilities Authority  
Georgia Golf Hall of Fame Authority  
Georgia Higher Education Assistance Corporation  
Georgia Highway Authority  
Georgia Housing and Finance Authority  
Georgia International and Maritime Trade Center Authority  
Georgia Lottery Corporation  
Georgia Music Hall of Fame Authority  
Georgia Ports Authority  
Georgia Public Telecommunications Commission  
Georgia Rail Passenger Authority  
Georgia Regional Transportation Authority  
Georgia Seed Development Commission  
Georgia Sports Hall of Fame Authority  
Georgia Student Finance Authority

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

Jekyll Island State Park Authority  
Lake Lanier Islands Development Authority  
North Georgia Mountains Authority  
Oconee River Greenway Authority  
OneGeorgia Authority  
Regional Educational Service Agencies  
Sapelo Island Heritage Authority  
Southwest Georgia Railroad Excursion Authority  
State Road and Tollway Authority  
Stone Mountain Memorial Association  
Superior Court Clerks' Cooperative Authority

#### *Higher Education Foundations and Similar Organizations*

Georgia College and State University Foundation  
Georgia Southern University Housing Foundation, Incorporated  
Georgia State University Foundation  
Georgia Tech Athletic Association  
Georgia Tech Facilities, Incorporated  
Georgia Tech Foundation, Incorporated  
Georgia Tech Research Corporation  
Kennesaw State University Foundation, Incorporated  
Medical College of Georgia Foundation, Incorporated  
Medical College of Georgia Health, Incorporated  
University of Georgia Athletic Association, Incorporated  
University of Georgia Foundation  
University of Georgia Research Foundation, Incorporated

#### **Fiduciary Component Units**

Fiduciary component units are required by GAAP to be reported as fiduciary funds of the primary government rather than as discrete component units. In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements. The fiduciary component units are as follows:

#### *Pension Trust Funds*

Employees' Retirement System of Georgia  
Georgia Military Pension Fund  
Legislative Retirement System  
Public School Employees Retirement System  
Teachers Retirement System of Georgia

The State's significant component units issue their own separate audited financial statements. The financial statements for fiduciary component units and authorities and similar organizations can be obtained from their respective administrative offices or from the Georgia Department of Audits and Accounts, 270 Washington Street, S.W., Suite

1-156, Atlanta, Georgia 30334. The financial statements for the higher education foundations and similar organizations can be obtained from their respective administrative offices or from the Board of Regents of the University System of Georgia, 270 Washington Street, S.W., Atlanta, Georgia 30334.

### C. Government-Wide and Fund Financial Statements

#### **Government-Wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are financed through taxes, intergovernmental revenues, and other non-exchange revenues are reported separately from business-type activities, which are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from its discretely presented component units.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

#### **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a separate column on the proprietary funds financial statements.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Principal revenue sources that are susceptible to accrual include income taxes, sales and use taxes, federal grants and shared revenues. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due or when amounts have been accumulated in the debt service fund for payments to be made early in the subsequent fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As allowed by GASB Statement No. 20, the State's proprietary funds follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The State reports the following major governmental funds:

The **General Fund** is used to account for all financial transactions not required to be accounted for in another fund. These transactions relate to resources obtained and used for services traditionally provided by a state government.

The **Georgia State Financing and Investment Commission (Capital Projects Fund)** accounts for the construction of projects for state agencies financed through the issuance of public debt, including educational facilities for county and independent school systems.

The State reports the following major enterprise funds:

The **Higher Education Fund** accounts for the operations of State colleges and universities and State technical colleges.

The **State Employees' Health Benefit Plan** is a self-insured program of health benefits for the employees of units of government of the State of Georgia, units of county government and local education agencies located within the State of Georgia.

The **Unemployment Compensation Fund** accounts for the collection of employers' unemployment insurance tax and the payment of unemployment insurance benefits.

Additionally, the State reports the following fund types:

#### Governmental Fund Types:

**Debt Service Funds** – Used to account for the payment of principal and interest on general long-term debt.

The primary government debt service fund is the General Obligation Debt Sinking Fund, which is administered by the Office of Treasury and Fiscal Services. The Debt Sinking Fund is a legally mandated fund responsible for the payment of principal and interest on general obligation bonds.

**Capital Projects Funds** – Used to account for the acquisition or construction of capital facilities.

**Permanent Funds** – Used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

#### Proprietary Fund Types:

**Enterprise Funds** – Used to account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determination of results of operations are appropriate.

**Internal Service Funds** - Used to account for the financing of goods or services provided by one department or agency to other State departments or agencies, or to other governmental entities, on a cost-reimbursement basis. The predominant participant in internal service fund activity is the primary government.

#### Fiduciary Fund Types:

**Pension Trust Funds** – Used to account for the retirement systems and plans administered by the Employees' Retirement System, for the Teachers Retirement System, and for pension plans administered on behalf of a variety of categories of local government officials and employees.

**Investment Trust Funds** – Used to account for external portions of government-sponsored investment pools.

**Private Purpose Trust Funds** – Used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

**Agency Funds** - Used to report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

#### Discretely Presented Component Units:

The combining component unit financial statements are presented in order to provide information on each of the major component units included in the component units column of the government-wide statements. The component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The information is presented in order to be consistent with the government-wide statements, and is less detailed than the presentation in each component unit's separately issued financial statements. The component units, other than certain higher education foundations and similar organizations, follow all GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Certain higher education foundations and similar organizations report under FASB standards; including FASB Statement No. 117, *Financial Reporting for Not-for Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to GASB presentation in these financial statements.

### E. Budgets

The annual budget of the State of Georgia is prepared on the modified accrual basis utilizing encumbrance accounting with the following exceptions: federal and certain other revenues are accrued based on the unexecuted portion of long-term contracts; and intrafund transactions are disclosed as revenues and expenditures. The budget represents departmental appropriations recommended by the Governor and adopted by the General Assembly prior to the beginning of the fiscal year. Annual appropriated budgets are adopted at the departmental level. The appropriated budget covers most governmental funds included in the State reporting entity but excludes the capital projects funds and certain debt service funds that are not subject to appropriation. The budget includes certain proprietary funds, the Higher Education Fund, and the administrative costs of operating certain public employee retirement systems. All unencumbered annual appropriations lapse at fiscal year end unless otherwise specified by constitutional or statutory provisions. Supplementary and amended appropriations may be enacted during the next legislative session by the same process used for original appropriations.

Encumbrances are used to indicate the intent to purchase goods or services. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods or services need not have been received for liabilities and expenditures to be recorded.

### F. Assets, Liabilities, and Net Assets/Fund Balances

#### Cash and Cash Equivalents

Cash and cash equivalents include currency on hand and demand deposits with banks and other financial institutions. Cash and cash equivalents also include short-term, highly liquid investments with maturity dates within three months of the date acquired, with the exception of the Higher Education Fund and higher education foundations and similar organizations, which report all time deposits with maturity dates less than thirteen months of the date acquired as cash.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

#### Investments

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue. Investments are presented at fair value. The State Depository Board may permit any department, board, bureau or other agency to invest funds collected directly by such organization in short term time deposit agreements, provided that the interest income of those funds is remitted to the Director of the Office of Treasury and Fiscal Services as revenues of the State of Georgia. As a matter of general practice, however, demand funds of any department, board, bureau or other agency in excess of current operating expenses are required to be deposited with the Director of the Office of Treasury and Fiscal Services for the purpose of pooled investment (OCGA 50-17-63). Such cash is managed in a pooled investment fund to maximize interest earnings. The pooled investment funds "Georgia Fund 1" and "Georgia Extended Asset Pool" are also available on a voluntary basis to organizations outside of the State reporting entity.

The Georgia Fund 1 or Primary Liquidity Portfolio's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and values participants' shares sold and redeemed at the pool's share price, \$1.00 per share. Investments are directed toward short-term instruments. At June 30, 2005, the weighted average maturity of the Fund was 24 days.

The Georgia Extended Asset Pool is part of the Extended Term Portfolio. The pool's primary objective is the prudent management of public funds on behalf of the State of Georgia and local governments seeking income higher than money market rates. Net Asset Value (NAV) is calculated daily to determine current share price. NAV is calculated by taking the closing fair value of securities owned plus other assets and subtracting liabilities. The remainder is then divided by the total number of shares outstanding to compute NAV per share (current share price). The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on the current share price, which at June 30, 2005, was \$1.98 per share. Investments consist generally of securities issued or guaranteed as to principal and interest by the U. S. Government or any of its agencies or

instrumentalities, bankers' acceptances and repurchase agreements. The average investment duration at June 30, 2005, was 0.92 years.

Units of the University System of Georgia and their affiliated organizations may participate in the Regents Investment Pool. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest it earns. The Regents Investment Pool maintains an assortment of funds which invest in diverse holdings with varying investment objectives.

The State's Unemployment Compensation Fund monies are required by the Social Security Act to be invested in the U. S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

Certain Higher Education Foundations (component units) held derivative financial instruments at year end: futures and hedge funds, real estate investment trusts and venture capital.

The Commissioner of the Department of Agriculture is directed by statute to require dealers in certain agricultural products and livestock to make and deliver to the Department a surety or cash bond to secure the faithful accounting for and payment to producers of the proceeds of agricultural products or livestock handled or sold by the dealer. Cash bonds are required to designate the Department as trustee of the funds and may take the form of certificates of deposit, letters of credit, money orders or cashiers' checks. At June 30, 2005, the Department held surety bonds in the amount of \$37,460,426, and cash bonds in the amount of \$14,539,946. These bonds are not recorded on the Balance Sheet.

Securities are held pursuant to statutes that require licensed insurance companies to deposit securities with the Department of Insurance prior to issuance of a certificate of authority to transact insurance by the Commissioner of Insurance. These securities remain in the name of the licensed insurance company as long as the company has a pending claim in the State of Georgia or until a proper order of a court of competent jurisdiction has been issued to the receiver, conservator, rehabilitator, or liquidator of the insurer or to any other properly designated official or officials who succeed to the management and control of the insurer's assets. The purchase and redemption of such securities are allowed as long as the required levels of

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

deposits are maintained. At June 30, 2005, securities valued at \$217,514,020 were held by the Department of Insurance. These securities are not recorded on the Balance Sheet.

#### Receivables

Receivables in the State's governmental funds pertain primarily to Federal revenues and revenues applicable to charges for services. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (See Note 1-D) have been met. Estimates of allowances for uncollectible receivables have not been made for the majority of receivables included within the financial statements. Receivables from the Federal government are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

#### Due To/From Other Funds

Equally offsetting asset and liability accounts are used to account for amounts owed to a particular fund by another fund for short-term obligations on goods sold or services rendered.

#### Advances

Noncurrent portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account that indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

#### Inventories

Inventories of supplies and materials are determined by physical count and/or perpetual inventory records and are valued at cost, weighted average cost, moving average cost, or lower of weighted average cost or market, using the first-in/first-out (FIFO) method, depending on the individual organization's preference. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased for larger agencies and agencies with material inventories. Other agencies may use either the purchase or consumption method.

Under the purchase method, a portion of the fund balance is reserved for inventories to indicate that it is not available for appropriation. Organizations under the consumption method normally reserve a portion of fund balance equal to the average monthly inventories on hand for the fiscal year.

#### Prepaid Items

Payments made to vendors and local government organizations for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items.

#### Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

#### Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the government-wide Statement of Net Assets. Capital assets of the State's proprietary funds and component units are capitalized in the fund in which they are utilized. Capital assets are stated at historical cost or, in some instances, estimated historical cost. Donated capital assets are stated at fair market value at the time of donation. All land and non-depreciable land improvements are capitalized regardless of cost. Buildings and Improvements Other Than Buildings are capitalized when the cost or value exceeds \$100,000. Machinery and Equipment is capitalized when costs or value exceeds \$5,000. The State's bridges and roadways included in the state highway system are capitalized regardless of cost. All other infrastructure assets are capitalized when project costs exceed \$1,000,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized. The State holds certain assets such as works of art, historical documents, and artifacts that have not been capitalized or depreciated because the collections are protected and preserved for exhibition, education, or research and are considered to have inexhaustible useful lives.

Major outlays for construction of bridges and roadways in the state highway system are capitalized as projects are constructed. All other major construction projects are capitalized when projects are completed. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset.

All depreciable capital assets are depreciated on the straight-line basis over the following useful lives:

Infrastructure	10-100 years
Buildings and Building Improvements	5-60 years
Improvements Other Than Buildings	15-50 years
Machinery and Equipment	3-20 years
Software	3-10 years
Library Collections	10 years

# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

Certain general governmental capital assets acquired through capital leases in prior years have not been recorded on the financial statements at the net present value of the minimum lease payments as is required by GAAP.

#### Compensated Absences

Employees earn annual leave ranging from ten to fourteen hours each month depending upon the employee's length of continuous State service with a maximum accumulation of forty-five days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are provided in the appropriation of funds each fiscal year to cover the cost of annual leave of terminated employees. The State's obligation for accumulated unpaid annual leave is reported as a liability in the government-wide and proprietary fund financial statements.

Employees earn ten hours of sick leave each month with a maximum accumulation of ninety days. Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with one hundred and twenty days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System of Georgia. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

#### Deferred Revenue

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, deferred revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

#### Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column or business-type activities column on the government-wide statement of net assets and on the proprietary fund statement of net assets in the fund financial statements. Bond discounts, premiums and issuance costs are deferred and amortized over the life of the bonds using a method that approximates the effective interest method or the straight-line method. Bonds payable are reported net of

the unamortized bond premium or discount and, when applicable, the deferred amount on refunding. Bond issuance costs are reported as deferred charges (assets) and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Net Assets

Net assets are reported as invested in capital assets, net of related debt, restricted or unrestricted. "Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The governmental activities column on the government-wide statement of net assets reports \$2,248,833,736 of restricted net assets, of which \$2,244,279,662 is restricted by enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, indicating they are not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

#### Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources. Unreserved, undesignated fund balance (deficit) is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 1. Summary of Significant Accounting Policies (continued)

#### G. Revenues

Federal grants include nonmonetary transactions for food and vaccine commodities. Commodities revenue and expenditures are recorded at their federally reported value. Commodity inventories of \$2,813,701 are reported on the Balance Sheet. For the fiscal year ended June 30, 2005, revenues of \$68,770,862 and expenditures of \$68,816,882 for commodities are reported in the General Fund.

#### H. Interfund Activity and Balances

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of activities between governmental activities and business-type activities. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers and balances between funds are made to accomplish various provisions of law.

Interfund payables and receivables have been eliminated from the statement of net assets except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the statement of net assets.

#### I. Fiscal Reporting Periods

The fiscal year end for the primary government and component units is June 30, except for the Stone Mountain Memorial Association (component unit), which has a fiscal year end of December 31.

### Note 2. Accounting Changes

In fiscal year 2004, implementation of GASB Statement 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14* required that certain higher education foundations and similar organizations be reported as component units. These organizations were considered for inclusion based upon their significance to the college/university with which they were affiliated. In fiscal year 2005, it was determined that in accordance with GASB Statement 39, such organizations should be considered for inclusion based on their significance to the primary government, rather than to an individual unit. The beginning net assets of the component units have been decreased by \$367,330,809, and the beginning net assets of the fiduciary funds - investment trust (Regents Investment Pool) have been increased by \$26,555,318 for this change in the application of an accounting principle.

In fiscal year 2005, responsibility for the operations of Gwinnett Technical College was transferred to the State. The beginning net assets of the Higher Education Fund (major proprietary fund) have been increased by \$32,639,138 for this addition to the reporting entity.

In fiscal year 2005, the State of Georgia implemented the provisions of GASB Statement 40, *Deposits and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This pronouncement requires additional disclosures presented in these notes, but has no impact on the State's net assets. These disclosures address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Included as an element of interest rate risk, Statement 40 requires disclosures of investments that have fair values that are highly sensitive to interest rates. The change is reflected in Note 3.

GASB Statement 46, *Net Assets Restricted by Enabling Legislation Disclosures – an amendment of GASB Statement No. 34*, was early implemented for the fiscal year ended June 30, 2005. As a result, a disclosure related to restricted net assets was added. Implementing this Statement did not result in any other reporting changes. The change is reflected in Note 1F (Net Assets).

The following tables summarize the changes in fund equities as previously reported for the funds and activities at June 30, 2004, including correction of prior year errors as indicated.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 2. Accounting Changes (continued)

	June 30, 2004 As Previously Reported	Adjustments	June 30, 2004 (Restated)
<b>Governmental Funds and Activities</b>			
Major Funds:			
General Fund (Correction of Prior Year Errors)	\$ 3,548,277,078	\$ (23,568,658)	\$ 3,524,708,420
Georgia State Financing and Investment Commission	1,228,811,620	—	1,228,811,620
Nonmajor Funds:			
Debt Service Fund	0	—	0
Capital Projects Funds	8,919,102	—	8,919,102
Permanent Fund	13,500	—	13,500
Total Governmental Funds	\$ 4,786,021,300	\$ (23,568,658)	\$ 4,762,452,642
Capital Assets, net of depreciation (Correction of Prior Year Errors)	14,591,464,471	1,282,524,637	15,873,989,108
Other Noncurrent Assets (Correction of Prior Year Errors)	37,890,337	5,602,156	43,492,493
Long-Term Liabilities (Correction of Prior Year Errors)	(6,807,261,686)	(43,890,360)	(6,851,152,046)
Other Liabilities	(179,502,687)	68,102,052	(111,400,635)
Inclusion of Internal Service Funds in Governmental Activities	1,192,135,078	(5,335,520)	1,186,799,558
Total Governmental Funds and Activities	\$ 13,620,746,813	\$ 1,283,434,307	\$ 14,904,181,120
<b>Proprietary Funds and Business-Type Activities</b>			
Major Funds:			
Higher Education Fund	\$ 4,439,573,679		\$ 4,484,559,698
Addition to Reporting Entity (Gwinnett Technical College)		\$ 32,639,138	
Correction of Prior Year Errors		12,346,881	
State Employees' Health Benefit Plan	346,458,369	—	346,458,369
Unemployment Compensation Fund (Correction of Prior Year Errors)	875,924,570	138,411,632	1,014,336,202
Correction of Prior Year Errors			
Nonmajor Funds:			
Enterprise Fund	112,198,199	—	112,198,199
Internal Service Funds (Correction of Prior Year Errors)	1,142,265,119	(5,335,520)	1,136,929,599
Internal Service Funds Look-Back Adjustments			
Removal of Internal Service Funds Relating to Governmental Activities	(1,192,135,078)	5,335,520	(1,186,799,558)
Total Proprietary Funds and Business-Type Activities	\$ 5,724,284,858	\$ 183,397,651	\$ 5,907,682,509
<b>Fiduciary Funds</b>			
Pension Trust Funds (Correction of Prior Year Errors)	\$ 57,077,989,675	\$ (15,255,833)	\$ 57,062,733,842
Investment Trust Funds (Addition of Regents Investment Pool)	3,837,970,082	26,555,318	3,864,525,400
Private Purpose Trust Funds	11,693,620	—	11,693,620
Total Fiduciary Funds	\$ 60,927,653,377	\$ 11,299,485	\$ 60,938,952,862
<b>Discretely Presented Component Units</b>			
Removal of Higher Education Foundations and Similar Organizations	\$ 4,407,705,537	\$ (367,330,809)	\$ 4,407,705,537
Correction of Prior Year Errors		(7,292,774)	(7,292,774)
Total Discretely Presented Component Units	\$ 4,407,705,537	\$ (374,623,583)	\$ 4,033,081,954

# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments

#### A. Deposits

Deposits include bank accounts and short-term investments, especially certificates of deposit. Funds belonging to the State of Georgia cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59:

- 1) Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
- 2) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
- 3) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
- 4) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
- 5) Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

- 6) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

As authorized in OCGA 50-17-53, the State Depository Board has adopted policies that allow agencies of the State of Georgia the option of exempting demand deposits from the collateral requirements.

#### *Custodial Credit Risk – Deposits*

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State's deposits may not be recovered.

#### **Primary Government**

At year-end, the carrying amounts of the State's deposits were \$1,220,654,231, and the bank balances were \$1,948,789,674. Of these bank balances, \$835,183,456 were insured, \$105,705,823 were collateralized with securities held by the pledging financial institutions, \$189,673,847 were collateralized with securities held by pledging institutions' trust departments or agents, but not in the State's name and \$818,226,548 were uncollateralized.

#### **Component Units**

At year-end the carrying amounts of the component units' deposits were \$391,925,915 and the bank balances were \$395,439,279. Of these bank balances, \$88,233,515 were insured, \$33,285,073 were collateralized with securities held by the pledging financial institutions, \$133,148,981 were collateralized with securities held by pledging institutions' trust departments or agents, but not in the State's name and \$140,771,710 were uncollateralized.

The carrying amounts of the deposits of certain higher education foundations which utilize FASB standards were \$190,719,759. These deposits are not included in the balances reflected, above.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### B. Investments

##### Primary Government (Other than Pension Trust Funds)

The investment policy of the State of Georgia is to maximize the protection of State funds on deposit while accruing an advantageous yield on those funds in excess of those required for current operating expenses (Official Code of Georgia Annotated [OCGA] 50-17-51).

Authorized pool investments are limited to the following in accordance with State statutes:

- 1) Obligations of the State of Georgia or of other states;
- 2) Obligations issued by the United States government;
- 3) Obligations fully insured or guaranteed by the United States government or a United States government agency;
- 4) Obligations of any corporation of the United States government;
- 5) Prime banker's acceptances;
- 6) Repurchase Agreements;
- 7) Obligations of other political subdivisions of the State; and
- 8) Commercial paper issued by domestic corporations.

Authorized investments are subject to certain restrictions.

Pooled cash and cash equivalents and investments are grouped into portfolios for investment purposes according to the operating needs of the State of Georgia and other pool contributors.

##### Pension Trust Funds

In accordance with Official Code of Georgia Annotated Public Retirement System Investment Authority Law, Public Retirement Systems may invest in the following:

- 1) United States or Canadian corporations or their obligations with limits as to the corporations' size and credit rating.
- 2) Repurchase and reverse repurchase agreements for direct obligations of the United States government and for obligations unconditionally guaranteed by agencies.
- 3) FDIC insured cash assets or deposits.
- 4) Bonds, notes, warrants, loans or other debt issued or guaranteed by the United State government.

- 5) Taxable bonds, notes warrants or other securities issued and guaranteed by any state, the District of Columbia, Canada or any province in Canada.
- 6) Bonds, debentures or other securities issued or insured or guaranteed by an agency, authority, unit, or corporate body created by the government of the United States of America.
- 7) Investment grade collateralized mortgage obligations.
- 8) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.
- 9) Bonds, debentures, notes and other evidence of indebtedness issued, assumed, or guaranteed by any solvent institution existing under the laws of the United States of America or of Canada, or any state or province thereof, which are not in default and are secured to a certain level.
- 10) Secured and unsecured obligations issued by any solvent institution existing under the laws of the United States of America or of Canada, or any state or province thereof, bearing interest at a fixed rate, with mandatory principal and interest due at a specified time with additional limits.
- 11) Equipment trust obligations or interests in transportation equipment, wholly or in part within the United States of America, and the right to receive determinated portions or related income.
- 12) Loans that are secured by pledge or securities eligible for investment.
- 13) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired.
- 14) Secured mortgages or mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar securities with restrictions.
- 15) Land and buildings on such land used or acquired for use as a fund's office for the convenient transaction of its own business with restrictions.
- 16) Real property and equipment acquired under various circumstances.

In addition, large retirement systems have restrictions as to the concentration of investments in corporations and equities and additional stipulations exist related to decreases in a fund's asset value.

##### Component Units

Component units follow applicable investing criteria described above for the primary government.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

Certain higher education foundations utilize FASB standards; therefore, only the June 30, 2005 balances are available as follows:

	Fair Value
Cash Held by Investment Organization	\$ 10,637,932
Corporate Bonds	4,920,507
Equity Securities	786,543,116
Government and Agency Securities	97,231,943
Long-Term Investment Pool	386,388,421
Money Market Accounts	2,675,781
Mutual Funds	51,497,858
Partnerships	249,794,000
Real Estate	169,640,017
Split-Interest Investments	14,845,294
	<u>\$ 1,774,174,869</u>

The component unit disclosures below do not include these balances.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

#### Primary Government (Other than Pension Trust Funds)

The State manages interest rate risk by attempting to match investments with expected cash requirements. Certificates of deposit may not have a term exceeding five years. The Director of OTFS may establish duration or maturity limitations for other investments. The following table provides information about the State's exposure to interest rate risk.

	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Commercial Paper	\$ 47,691,680	\$ —	\$ 2,664,037	\$ 37,936,833	\$ 4,956,035	\$ 2,134,775
Corporate Debt						
Domestic	74,764,751	3,802,449	9,859,209	42,987,111	5,201,366	12,914,616
International	5,000,000	—	—	5,000,000	—	—
Mortgage-backed Securities						
Commercial	39,327,796	—	—	—	7,063,186	32,264,610
Municipal Bonds	2,170,058	—	1,913,950	212,112	43,996	—
Mutual Funds - Debt	45,882,876	—	442,538	45,205,337	95,136	139,865
Repurchase Agreements	4,461,609,795	4,256,664,474	204,945,321	—	—	—
U. S. Agency Obligations	4,412,863,676	2,053,941,299	1,524,404,873	767,868,893	21,878,725	44,769,886
U. S. Treasury Obligations	770,134,952	27,442,089	165,238,094	558,031,828	7,752,051	11,670,890
	<u>\$ 9,859,445,584</u>	<u>\$ 6,341,850,311</u>	<u>\$ 1,909,468,022</u>	<u>\$ 1,457,242,114</u>	<u>\$ 46,990,495</u>	<u>\$ 103,894,642</u>
Equity Securities						
Domestic	92,945,016					
Funds on Deposit with						
U. S. Treasury for						
Unemployment						
Compensation	1,130,268,218					
Mutual Funds - Equity	22,338,220					
Real Estate	5,388,740					
	<u>\$ 11,110,385,778</u>					

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### Pension Trust Funds Administered by Other than the Employees' and Teachers' Retirement Systems

The Public Retirement System Investment Authority Law does not address specific policies for managing interest rate risk.

The following table provides information about interest rate risks associated with these pension trust funds' investments:

	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Commercial Paper	\$ 13,932,250	\$ —	\$ 29,102	\$ 5,623,690	\$ 4,391,418	\$ 3,888,040
Corporate Debt						
Domestic	106,340,965	—	4,581,877	24,576,404	30,837,053	46,345,631
International	204,321	—	—	—	—	204,321
Mortgage-backed Securities						
Commercial	45,841,462	—	—	1,381,937	3,033,156	41,426,369
Municipal Bonds	873,944	—	—	507,089	87,268	279,587
U. S. Agency Obligations	141,959,233	—	3,004,164	20,439,456	18,955,977	99,559,636
U. S. Treasury Obligations	44,862,094	2,390,322	5,957,482	5,380,638	14,722,174	16,411,478
	<u>\$ 354,014,269</u>	<u>\$ 2,390,322</u>	<u>\$ 13,572,625</u>	<u>\$ 57,909,214</u>	<u>\$ 72,027,046</u>	<u>\$ 208,115,062</u>
Equity Securities						
Domestic	410,636,372					
International	11,871,508					
Mutual Funds - Equity	267,401,567					
Real Estate	1,469,723					
Short-term Investment Funds	<u>55,965,303</u>					
	<u>\$ 1,101,358,742</u>					

#### Pension Trust Funds Administered by the Employees' and Teachers' Retirement Systems

The Boards of the Employees' and Teachers' Retirement systems have elected to manage interest rate risk of these pension trust funds using the effective duration method. This method is widely used in the management of fixed income portfolios and quantifies to a much greater degree the sensitivity to interest rate changes when analyzing a bond portfolio with call options, prepayment provision, and any other cash flows. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows and is best utilized to gauge the effect of a change in interest rates on the fair value of a portfolio. It is believed that the reporting of effective duration found in the table below quantifies to the fullest extent possible the interest rate risk of the fund's fixed income assets.

	Total Fair Value	Effective Duration (Years)
Corporate Bonds	\$ 3,555,089,000	4.70
Repurchase Agreements	908,748,000	0.00
U. S. Agency Obligations	4,929,682,000	2.40
U. S. Treasury Obligations	<u>14,359,128,000</u>	6.20
	<u>\$ 23,752,647,000</u>	
Common Stock	<u>35,908,029,000</u>	
	<u>\$ 59,660,676,000</u>	

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### Component Units

The component units follow the applicable investing criteria described above for the primary government.

The component units' exposure to interest rate risk is presented below:

	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Corporate Debt	\$ 29,308,912	\$ —	\$ 15,152,519	\$ 11,205,429	\$ 2,694,631	\$ 256,333
Money Market Mutual Funds	12,732,388	11,271,159	—	—	—	1,461,229
Mortgage-backed Securities						
Commercial	9,879,061	903,417	—	2,032,729	1,107,996	5,834,919
Municipal Bonds	12,182,838	5,926,516	—	6,256,322	—	—
Mutual Bond Fund*	19,883,393	—	—	19,883,393	—	—
Repurchase Agreements	224,659,870	—	—	224,659,870	—	—
U. S. Agency Obligations	152,900,996	67,952,795	13,234,476	45,895,248	8,095,779	17,722,698
U. S. Treasury Obligations	281,376,129	35,055,264	39,352,001	88,304,411	78,885,842	39,778,611
	<u>\$ 742,923,587</u>	<u>\$ 121,109,151</u>	<u>\$ 67,738,996</u>	<u>\$ 398,237,402</u>	<u>\$ 90,784,248</u>	<u>\$ 65,053,790</u>
Equity Securities						
Domestic	47,045,816					
International	11,090,289					
Futures and Hedge Funds	769,866					
Joint Venture	1,449,069					
Mutual Funds - Equity						
Domestic	9,582,698					
International	1,428,138					
Real Estate Investment						
Trusts	6,328,010					
Venture Capital	7,559,579					
	<u>\$ 828,177,052</u>					

\* At June 30, 2005, the mutual bond fund had a weighted average maturity of 4.49 years.

#### Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

#### Primary Government (Other than Pension Trust Funds)

The State's investment policies include the following investing restrictions to manage credit quality risk:

- 1) Repurchase agreements and reverse repurchase agreements may be transacted only with authorized dealers and banks of a certain size with other restrictions requiring approval of the Director of OTFS.
- 2) Commercial paper issued by domestic corporations carrying ratings no lower than P-1 by Moody's

Investors Service and A-1 by Standard & Poor's Corporation.

- 3) Prime bankers acceptances must carry the highest rating assigned to such investments by a nationally recognized rating agency.
- 4) Obligations issued by this State or its agencies or other political subdivisions of this State, if meeting statutory requirements, may be approved for investment by the Director.
- 5) Obligations of domestic corporations must be rated investment grade or higher by a nationally recognized rating agency.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

6) Direct obligations of the government of any foreign country and obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation must be rated A or higher by a nationally recognized rating agency.

7) Such other limitations as determined by the Director necessary for the preservation of principal, liquidity, or marketability of any of the State's portfolios.

The exposure of the primary government's debt securities to credit quality risk is indicated below:

	Total Fair Value	AAA	AA	A	BAA	BA	BBB	Not Rated
Commercial Paper	\$ 47,691,680	\$ 45,027,643	\$ —	\$ 591,898	\$ —	\$ —	\$ —	\$ 2,072,139
Corporate Debt								
Domestic	74,764,751	10,110,923	23,674,870	38,669,800	1,184,570	565,872	10,994	547,722
International	5,000,000	—	—	5,000,000	—	—	—	—
Mortgage-backed Securities								
Commercial	39,327,796	39,327,796	—	—	—	—	—	—
Municipal Bonds	2,170,058	2,068,844	101,214	—	—	—	—	—
Mutual Funds - Debt	45,882,876	—	—	—	—	—	—	45,882,876
Repurchase Agreements	4,036,113,090	4,030,437,507	—	—	—	—	—	5,675,583
U. S. Agency Obligations	4,401,253,217	4,326,895,991	—	—	—	—	—	74,357,226
	<u>\$ 8,652,203,468</u>	<u>\$ 8,453,868,704</u>	<u>\$ 23,776,084</u>	<u>\$ 44,261,698</u>	<u>\$ 1,184,570</u>	<u>\$ 565,872</u>	<u>\$ 10,994</u>	<u>\$ 128,535,546</u>

#### Pension Trust Funds

The credit quality risk of pension trust funds is managed by restricting investments to those authorized by the Public Retirement System Investment Authority Law described in

Note 1. The Boards of individual funds may elect to implement more restrictive policies. The pension trust funds' debt securities exposure to credit quality risk is indicated below:

Credit Rating	Total Fair Value	Commercial Paper	Corporate Debt		Mortgage- Backed Securities Commercial	Municipal Bonds	Repurchase Agreements	U. S. Agency Obligations
			Domestic	Inter- national				
AAA	\$ 7,111,719,367	\$ 11,313,549	\$ 2,061,499,209	\$ —	\$ 14,686,620	\$ 597,575	\$ —	\$ 5,023,622,414
AA	1,513,942,978	741,446	1,513,047,034	—	—	154,498	—	—
A	947,337,671	795,308	37,672,492	—	—	121,871	908,748,000	—
BAA	57,758,303	423,899	40,505,007	204,321	16,625,076	—	—	—
BA	2,665,688	—	2,665,688	—	—	—	—	—
BBB	503,265	—	503,265	—	—	—	—	—
B	349,624	—	349,624	—	—	—	—	—
Not Rated	50,072,078	658,048	5,187,646	—	14,529,766	—	—	29,696,618
	<u>\$ 9,684,348,974</u>	<u>\$ 13,932,250</u>	<u>\$ 3,661,429,965</u>	<u>\$ 204,321</u>	<u>\$ 45,841,462</u>	<u>\$ 873,944</u>	<u>\$ 908,748,000</u>	<u>\$ 5,053,319,032</u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### Component Units

The component units follow the applicable investing criteria described above for the primary government. The exposure

of the component units' debt securities to credit quality risk is indicated below:

	Total Fair Value	AAA	AA	A	BBB	BB	***	Not Rated
Corporate Debt	\$ 29,308,912	\$ 2,474,269	\$ 7,041,663	\$ 8,325,499	\$ 9,582,771	\$ 1,884,710	\$ —	\$ —
Money Market								
Mutual Funds	12,732,388	289,248	1,461,229	—	—	—	—	10,981,911
Mortgage-backed Securities								
Commercial	9,879,061	8,975,643	—	—	—	—	—	903,418
Municipal Bonds	12,182,838	12,182,838	—	—	—	—	—	—
Mutual Bond Fund	19,883,393	—	—	—	—	—	—	19,883,393
Repurchase Agreements	224,659,870	224,659,870	—	—	—	—	—	—
U. S. Agency Obligations	147,534,220	87,164,581	—	—	—	—	1,564,675	58,804,964
	<u>\$ 456,180,682</u>	<u>\$ 335,746,449</u>	<u>\$ 8,502,892</u>	<u>\$ 8,325,499</u>	<u>\$ 9,582,771</u>	<u>\$ 1,884,710</u>	<u>\$ 1,564,675</u>	<u>\$ 90,573,686</u>

#### Custodial Credit Risk – Investments

As indicated above, custodial credit risk is the risk that, in the event of a bank failure, the State's investments may not be recovered.

#### Primary Government (Other than Pension Trust Funds)

The State's investment policies include the following restrictions to manage custodial credit risk for investments:

- 1) Repurchase agreements must be collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government having a market value of at least 102% of the investment. Collateral must be held by a third party custodian approved by the Director of OTFS and marked-to-market daily.
- 2) All CD's must be secured by collateral permitted by statute. Surety bonds acceptable as security for CD's shall require approval by the State Depository Board with such credit constraints or limitations it determines. Pledged securities shall be marked-to-market at least monthly with depositories required to initially pledge to OTFS, and thereafter maintain upon notification of any shortfall, collateral having a market value equal to 110 % of CD's.

At June 30, 2005, the State's investments were held by the State or in the State's name by the State's custodial banks.

#### Component Units

The component units follow the applicable investing criteria described above for the primary government. At June 30, 2005, \$282,314,856 of the component units' investments

were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer.

#### Primary Government (Other than Pension Trust Funds)

The State does not have a formally adopted policy for managing concentration of credit risk. At June 30, 2005, more than 5 percent of the primary government's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented approximately 75.9 percent of total investments.

#### Pension Trust Funds

The concentration of credit risk policy of pension trust funds limits investments to no more than 5% of total net assets in any one corporation. At June 30, 2005, more than 5 percent of the pension trust fund's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented approximately 8.3 percent of total investments.

#### Component Units

The component units follow the applicable investing criteria described above for the primary government. At June 30, 2005, more than 5 percent of the component units' total investments were investments in securities of U. S. Agencies not explicitly guaranteed by the U. S. government. These investments represented approximately 44.9 percent of total investments.

# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### C. Investments Lending Program

The State is presently involved in securities lending programs with major brokerage firms. The State lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. During a loan, the State continues to receive dividends and interest as the owner of the loaned securities.

##### Primary Government

In the primary government's securities lending agreement, securities are transferred to an independent broker in exchange for collateral in the form of cash and/or securities issued by the U. S. Treasury or its agencies. The collateral value must be equal to at least 100% to 102% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled \$473,308,557 at June 30, 2005, and the collateral value was equal to 102%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Assets since the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Net Assets, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities.

##### Pension Trust Funds

In the pension trust funds securities lending agreements, the brokerage firms pledge collateral securities consisting of U. S. Government and agency securities, mortgage-backed securities issued by a U. S. Government agency, and U. S. corporate bonds. The collateral value must be equal to at least 102% to 110% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled \$22,336,971,014 at June 30, 2005, and the collateral value was equal to 105.1%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Assets since the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Net Assets, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### D. Investment Pools

Separate reports on the State's external investment pools are not issued. Condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 2005, and related risk disclosures for investments are as follows:

##### Georgia Fund 1

The Primary Liquidity portfolio is a stable net asset value investment pool that follows Standard and Poor's criteria for AAAM rated money market funds. The pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

<u>Georgia Fund 1</u> <u>Statement of Net Assets</u> <u>June 30, 2005</u>		<u>Georgia Fund 1</u> <u>Statement of Changes in Net Assets</u> <u>For the Fiscal Year Ended June 30, 2005</u>	
<u>Assets</u>		<u>Additions</u>	
Cash and Cash Equivalents	\$ 5,581,176,849	Pool Participant Deposits	\$ 22,714,114,153
Investments	<u>1,365,860,074</u>	Investment Income	139,110,746
Net Assets	\$ <u>6,947,036,923</u>	Less: Investment Expense	<u>(1,453,341)</u>
		Total Additions	\$ 22,851,771,558
		<u>Deductions</u>	
		Pool Participant Withdrawals	<u>22,196,343,595</u>
		Net Increase	\$ 655,427,963
<u>Distribution of Net Assets</u>		<u>Net Assets</u>	
External Participant Account Balances	\$ 3,238,248,943	July 1, 2004	<u>6,291,608,960</u>
Internal Participant Account Balances	<u>3,708,787,980</u>	June 30, 2005	\$ <u>6,947,036,923</u>
	\$ <u>6,947,036,923</u>		

#### **Deposits**

Because the State does not maintain separate bank accounts for Georgia Fund 1, separate custodial credit risk disclosures for the Fund's deposits cannot be presented. The carrying amount of the Fund's deposits as of June 30, 2005, was \$189,599,488. This amount is included in the deposit disclosures of the Primary Government.

#### **Investments**

Georgia Fund 1 follows applicable investing criteria and investment risk management policies described above for the primary government. In addition, fund managers restrict investments of the Fund in order to maintain the Standard and Poor's AAAM rating.

# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### D. Investment Pools

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Fund's investments are presented below:

	Total Fair Value	Maturity Period Less than 3 months	Range of Yields
Repurchase Agreements	\$ 3,702,261,112	\$ 3,702,261,112	3.00 - 3.45
U. S. Agency Obligations	<u>3,055,176,323</u>	<u>3,055,176,323</u>	2.98 - 3.33
	<u>\$ 6,757,437,435</u>	<u>\$ 6,757,437,435</u>	

##### *Credit Quality Risk*

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 20, 2005, all applicable investments of the Fund were rated AAA.

##### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer. At June 30, 2005, more than 5 percent of the Fund's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented approximately 97.2 percent of total investments.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### D. Investment Pools

##### Georgia Extended Asset Pool

The Extended Term Portfolio is a variable net asset value investment pool that follows Standard and Poor's criteria for AAAf money market rated funds. The pool is not registered with the SEC as an investment company.

<u>Georgia Extended Asset Pool</u> <u>Statement of Net Assets</u> <u>June 30, 2005</u>		<u>Georgia Extended Asset Pool</u> <u>Statement of Changes in Net Assets</u> <u>For the Fiscal Year Ended June 30, 2005</u>	
<b><u>Assets</u></b>		<b><u>Additions</u></b>	
Cash and Cash Equivalents	\$ 341,047,954	Pool Participant Deposits	\$ 57,300,989
Investments	<u>689,156,273</u>	Investment Income	<u>33,162,214</u>
Net Assets	\$ <u>1,030,204,227</u>	Total Additions	\$ 90,463,203
		<b><u>Deductions</u></b>	
		Pool Participant Withdrawals	<u>428,650,436</u>
		Net Decrease	\$ (338,187,233)
<b><u>Distribution of Net Assets</u></b>		<b><u>Net Assets</u></b>	
External Participant Account Balances	\$ 462,839,127	July 1, 2004	<u>1,368,391,460</u>
Internal Participant Account Balances	<u>567,365,100</u>	June 30, 2005	\$ <u>1,030,204,227</u>
	\$ <u>1,030,204,227</u>		

#### **Deposits**

Because the State does not maintain separate bank accounts for Georgia Extended Asset Pool, separate custodial credit risk disclosures for the Pool's deposits cannot be presented. The carrying amount of the Pool's deposits as of June 30, 2005, was \$127,073,002. This amount is included in the deposit disclosures of the Primary Government.

#### **Investments**

Georgia Extended Asset Pool follows applicable investing criteria and investment risk management policies described above for the primary government. In addition, the fund managers restrict investments of the Fund in order to maintain the Standard and Poor's AAAf rating.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### D. Investment Pools

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Pool's investments are presented below:

	Total Fair Value	Maturity Period			Range of Yields
		Less than 3 months	4 - 12 months	1 - 5 Years	
Repurchase Agreements	\$ 213,974,952	\$ 213,974,952	\$ —	\$ —	3.00 - 3.45
U. S. Agency Obligations	610,037,513	99,494,563	105,549,406	404,993,544	1.63 - 4.43
U. S. Treasury Obligations	79,118,760	—	79,118,760	—	1.66 - 1.74
	<u>\$ 903,131,225</u>	<u>\$ 313,469,515</u>	<u>\$ 184,668,166</u>	<u>\$ 404,993,544</u>	

##### *Credit Quality Risk*

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2005, the Pool's applicable repurchase agreements and U. S. Agency Obligations were rated AAA.

##### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer. At June 30, 2005, more than 5 percent of the Pool's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented approximately 91.2 percent of total investments.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### D. Investment Pools

##### Regents Investment Pool

The Regents Investment Pool is not registered with the SEC as an investment company.

<u>Regents Investment Pool</u> <u>Statement of Net Assets</u> <u>June 30, 2005</u>		<u>Regents Investment Pool</u> <u>Statement of Changes in Net Assets</u> <u>For the Fiscal Year Ended June 30, 2005</u>	
<b><u>Assets</u></b>		<b><u>Additions</u></b>	
Cash and Cash Equivalents	\$ 10,703,991	Investment Income	
Investments	157,445,070	Interest	\$ 4,674,812
Interest Receivable	<u>161,914</u>	Fair Value Decreases	(945,372)
Net Assets	\$ <u>168,310,975</u>	Less: Investment Expense	<u>(434,303)</u>
		Total Additions	\$ <u>3,295,137</u>
		<b><u>Deductions</u></b>	
		Pool Participant Withdrawals	\$ 13,131,964
		Capital Transactions	<u>(13,609,344)</u>
		Total Deductions	\$ <u>(477,380)</u>
		Net Increase	\$ 3,772,517
		<b><u>Net Assets</u></b>	
		July 1, 2004	<u>164,538,458</u>
		June 30, 2005	\$ <u>168,310,975</u>
<b><u>Distribution of Net Assets</u></b>			
External Participant Account Balances	\$ 30,345,328		
Internal Participant Account Balances	<u>137,965,647</u>		
	\$ <u>168,310,975</u>		

#### **Deposits**

Because the State does not maintain separate bank accounts for Regents Investment Pool, separate custodial credit risk disclosures for the Pool's deposits cannot be presented. The carrying amount of the Pool's deposits as of June 30, 2005, was \$243,396. This amount is included in the deposit disclosures of the Primary Government.

#### **Investments**

The Regents Investment Pool policy guidelines indicate that all investments must be consistent with donor intent, Board of Regents policy and applicable federal and state law. The individual funds of the Pool provide various restrictions on the types of investments allowed.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### D. Investment Pools

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Pool's Funds' policy guidelines restrict average maturities of their holdings. The Pool's investments are presented below:

	Total Fair Value	Maturity Period			
		Less than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
Municipal Obligations	\$ 1,200,000	\$ 1,200,000	\$ —	\$ —	\$ —
Mutual Bond Fund	33,019,308	—	33,019,308	—	—
Repurchase Agreements	2,423,000	2,423,000	—	—	—
U. S. Agency Obligations	58,352,758	23,141,916	35,210,842	—	—
U. S. Treasury Obligations	13,309,872	—	12,386,424	253,408	670,040
	<u>\$ 108,304,938</u>	<u>\$ 26,764,916</u>	<u>\$ 80,616,574</u>	<u>\$ 253,408</u>	<u>\$ 670,040</u>
Equity Securities					
Domestic	46,441,904				
Mutual Funds - Equity	9,908,054				
Real Estate Investment					
Trusts	<u>3,412,683</u>				
	<u>\$ 168,067,579</u>				

##### Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pool's Funds' policy guidelines require that holdings, except for those of the Diversified Fund be investment grade with ratings of at least BAA by Moody's and Standard & Poor's at the time of purchase. The Diversified Fund is permitted to invest in noninvestment grade debt issues up to a limit of 15% of the entire fund. The exposure of the Regents Investment Pool's debt securities to credit quality risk is indicated below:

	Total Fair Value	Credit Rating	
		AAA	Not Rated
Municipal Obligations	\$ 1,200,000	\$ 1,200,000	\$ —
Mutual Bond Fund	33,019,308	—	33,019,308
Repurchase Agreements	2,423,000	2,423,000	—
U. S. Agency Obligations	58,352,758	10,607,094	47,745,664
	<u>\$ 94,995,066</u>	<u>\$ 14,230,094</u>	<u>\$ 80,764,972</u>

##### Custodial Credit Risk – Investments

As indicated above, custodial credit risk is the risk that, in the event of a bank failure, the State's investments may not be recovered. The Regents Investment Pool's policy for managing custodial credit risk is to 1) appoint a federally regulated banking institution as custodian, 2) require that all securities transactions be settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve, and 3) require that repurchase agreements be collateralized by U. S. Treasury securities at 102% of the market value of the investment at all times. At June 30, 2005, \$168,067,579 of the Regents Investment Pool's holdings were uninsured and held by the custodian bank or a depository institution, but not in the State's name.

# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 3. Deposits and Investments (continued)

#### D. Investment Pools

##### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer. The Regents Investment Pool's policy for managing concentration of credit risk is to diversify to the extent that any single issuer (other than U. S. government obligations) shall be limited to 5% of the market value in a particular Pool Fund. At June 30, 2005, more than 5 percent of the Pool's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented approximately 34.0 percent of total investments.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 4. Receivables

Receivables at June 30, 2005, consisted of the following:

	<u>Gross Receivables</u>	<u>Allowance For Uncollectibles</u>	<u>Allowance For Possible Loan Losses</u>	<u>Allowance For Service Repayments</u>	<u>Deferred Loan Fees</u>	<u>Net Total Receivables</u>
<b>Governmental Activities:</b>						
General Fund	\$ 3,248,219,194	\$ (29,858,647)	\$ —	\$ —	\$ —	\$ 3,218,360,547
Nonmajor Governmental	<u>1,229,758</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,229,758</u>
Total Governmental Funds	\$ 3,249,448,952	\$ (29,858,647)	\$ —	\$ —	\$ —	\$ 3,219,590,305
Internal Service Funds	9,398,903	(239,000)	—	—	—	9,159,903
Long-Term Lease Receivable	2,437,175	—	—	—	—	2,437,175
Receivables from Fiduciary Funds	<u>1,799,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,799,000</u>
Total Governmental Activities	\$ <u>3,263,084,030</u>	\$ <u>(30,097,647)</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>3,232,986,383</u>
<b>Business-type Activities:</b>						
Higher Education Fund	\$ 251,334,577	\$ (12,465,712)	\$ —	\$ —	\$ —	\$ 238,868,865
State Employees' Health Benefit Plan	39,343,163	(4,157,556)	—	—	—	35,185,607
Unemployment Compensation Fund	175,686,303	(25,518,071)	—	—	—	150,168,232
Georgia Technology Authority	5,330,220	—	—	—	—	5,330,220
Internal Service Funds	6,286	—	—	—	—	6,286
Receivables from Fiduciary Funds	<u>10</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10</u>
Total Business-type Activities	\$ <u>471,700,559</u>	\$ <u>(42,141,339)</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>429,559,220</u>
Component Units	\$ <u>2,505,620,325</u>	\$ <u>(7,967,356)</u>	\$ <u>(2,023,753)</u>	\$ <u>(47,399,309)</u>	\$ <u>(225,217)</u>	\$ <u>2,448,004,690</u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 5. Capital Assets

#### Primary Government

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Retroactive Restatement of Prior Year Balances	Increases	Decreases	Balance June 30, 2005
<b>Governmental Activities:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 416,058,860	\$ 1,074,650,756	\$ 66,213,818	\$ (6,929,654)	\$ 1,549,993,780
Works of Art and Collections	6,312,608	(4,997,233)	—	—	1,315,375
Construction in Progress	2,158,111,336	338,722,958	258,158,898	(215,187,435)	2,539,805,757
Total capital assets, not being depreciated	\$ 2,580,482,804	\$ 1,408,376,481	\$ 324,372,716	\$ (222,117,089)	\$ 4,091,114,912
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	\$ 16,009,878,617	\$ (11,594,444)	\$ 215,187,435	\$ —	\$ 16,213,471,608
Buildings	2,601,635,165	(92,068,141)	102,847,656	(3,917,582)	2,608,497,098
Improvements Other Than Buildings	59,625,193	6,813,881	4,521,980	—	70,961,054
Machinery and Equipment	703,599,776	1,085,019	64,291,107	(59,523,326)	709,452,576
Software	67,604,488	(6,182,085)	21,363,891	—	82,786,294
Library Collections	3,200,000	—	—	—	3,200,000
Works of Art and Collections	—	620,019	—	—	620,019
Total Capital Assets Being Depreciated	\$ 19,445,543,239	\$ (101,325,751)	\$ 408,212,069	\$ (63,440,908)	\$ 19,688,988,649
<b>Less Accumulated Depreciation For:</b>					
Infrastructure	\$ (5,878,457,236)	\$ —	\$ (909,526,986)	\$ —	\$ (6,787,984,222)
Buildings	(802,093,155)	(35,407,159)	(115,601,322)	32,680,168	(920,421,468)
Improvements Other Than Buildings	(24,707,632)	(2,637,351)	(2,688,490)	—	(30,033,473)
Machinery and Equipment	(456,247,392)	(710,508)	(48,506,762)	42,454,860	(463,009,802)
Software	(47,667,682)	5,230,995	(10,292,651)	—	(52,729,338)
Library Collections	(3,200,000)	—	—	—	(3,200,000)
Works of Art and Collections	—	(62,000)	(20,667)	—	(82,667)
Total Accumulated Depreciation	\$ (7,212,373,097)	\$ (33,586,023)	\$ (1,086,636,878)	\$ 75,135,028	\$ (8,257,460,970)
Total Capital Assets Being Depreciated, Net	\$ 12,233,170,142	\$ (134,911,774)	\$ (678,424,809)	\$ 11,694,120	\$ 11,431,527,679
<b>Governmental activities capital assets, net</b>	<b>\$ 14,813,652,946</b>	<b>\$ 1,273,464,707</b>	<b>\$ (354,052,093)</b>	<b>\$ (210,422,969)</b>	<b>\$ 15,522,642,591</b>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 5. Capital Assets (continued)

#### Primary Government (continued)

	Balance July 1, 2004	Retroactive Restatement of Prior Year Balances	Increases	Decreases	Balance June 30, 2005
<b>Business-type Activities:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 162,155,934	\$ 3,067,442	\$ 28,863,435	\$ (365,000)	\$ 193,721,811
Works of Art and Collections	15,728,854	(75,006)	567,880	—	16,221,728
Construction in Progress	180,891,211	—	99,640,642	(140,808,628)	139,723,225
Total capital assets, not being depreciated	<u>\$ 358,775,999</u>	<u>\$ 2,992,436</u>	<u>\$ 129,071,957</u>	<u>\$ (141,173,628)</u>	<u>\$ 349,666,764</u>
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	\$ 130,700,231	\$ 108,046,394	\$ 14,595,636	\$ (1,276,421)	\$ 252,065,840
Buildings	4,277,996,292	(70,517,670)	613,087,111	(35,188,579)	4,785,377,154
Improvements Other Than Buildings	240,675,083	5,457,441	16,678,995	(1,885,398)	260,926,121
Machinery and Equipment	1,254,064,991	6,933,009	167,893,979	(70,295,578)	1,358,596,401
Software	39,328,938	—	2,600,697	—	41,929,635
Library Collections	556,922,308	(11,214,358)	33,019,741	(2,438,491)	576,289,200
Works of Art and Collections	1,351,505	75,006	41,513	(10,750)	1,457,274
Total Capital Assets Being Depreciated	<u>\$ 6,501,039,348</u>	<u>\$ 38,779,822</u>	<u>\$ 847,917,672</u>	<u>\$ (111,095,217)</u>	<u>\$ 7,276,641,625</u>
<b>Less Accumulated Depreciation For:</b>					
Infrastructure	\$ (45,160,732)	\$ (556,585)	\$ (3,766,844)	\$ 1,151,424	\$ (48,332,737)
Buildings	(1,204,409,262)	(7,661,737)	(111,725,718)	14,093,308	(1,309,703,409)
Improvements Other Than Buildings	(91,720,576)	(218,285)	(7,938,857)	1,391,754	(98,485,964)
Machinery and Equipment	(744,895,369)	(2,099,302)	(112,159,412)	54,091,899	(805,062,184)
Software	(33,063,632)	—	(2,798,605)	—	(35,862,237)
Library Collections	(408,593,598)	(565,911)	(26,743,558)	2,296,332	(433,606,735)
Works of Art and Collections	(631,085)	27,945	(28,541)	922	(630,759)
Total Accumulated Depreciation	<u>\$ (2,528,474,254)</u>	<u>\$ (11,073,875)</u>	<u>\$ (265,161,535)</u>	<u>\$ 73,025,639</u>	<u>\$ (2,731,684,025)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,972,565,094</u>	<u>\$ 27,705,947</u>	<u>\$ 582,756,137</u>	<u>\$ (38,069,578)</u>	<u>\$ 4,544,957,600</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 4,331,341,093</u></u>	<u><u>\$ 30,698,383</u></u>	<u><u>\$ 711,828,094</u></u>	<u><u>\$ (179,243,206)</u></u>	<u><u>\$ 4,894,624,364</u></u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 5. Capital Assets (continued)

#### Primary Government (continued)

Current period depreciation expense was charged to functions of the primary government as follows:

General government	\$	8,019,482
Education		16,941,007
Health and Welfare		15,955,273
Transportation		924,724,883
Public Safety		81,293,726
Economic Development		17,084,064
Culture and Recreation		6,490,468
Conservation		3,751,349
Internal Service Funds		
(Depreciation on capital assets held by the state's internal service funds are charged to the various functions based on their usage of the assets)		<u>12,376,626</u>
<b>Depreciation Expense - Governmental Activities</b>	<b>\$</b>	<b><u>1,086,636,878</u></b>

#### Component Units

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Retroactive Restatement of Prior Year Balances	Increases	Decreases	Balance June 30, 2005
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 214,956,123	\$ 24,166,974	\$ 7,383,619	\$ (585,200)	\$ 245,921,516
Works of Art and Collections	201,048	—	—	—	201,048
Construction in Progress	84,488,222	(17,032,469)	38,891,482	(18,673,349)	87,673,886
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 299,645,393</b>	<b>\$ 7,134,505</b>	<b>\$ 46,275,101</b>	<b>\$ (19,258,549)</b>	<b>\$ 333,796,450</b>
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	\$ 153,963,387	\$ —	\$ 309,000	\$ —	\$ 154,272,387
Buildings	843,599,462	64,588,683	15,214,330	(150,787)	923,251,688
Improvements Other Than Buildings	230,420,912	11,292,846	6,771,395	(405,385)	248,079,768
Machinery and Equipment	462,272,694	993,861	35,358,276	(10,630,796)	487,994,035
Software	1,072,714	—	49,715	—	1,122,429
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 1,691,329,169</b>	<b>\$ 76,875,390</b>	<b>\$ 57,702,716</b>	<b>\$ (11,186,968)</b>	<b>\$ 1,814,720,307</b>
<b>Less Accumulated Depreciation For:</b>					
Infrastructure	\$ (65,478,890)	\$ —	\$ (3,603,822)	\$ —	\$ (69,082,712)
Buildings	(224,467,984)	(31,032,536)	(25,354,862)	113,854	(280,741,528)
Improvements Other Than Buildings	(87,881,921)	(19,366)	(8,035,518)	264,000	(95,672,805)
Machinery and Equipment	(310,493,721)	3,568,932	(40,944,307)	9,308,181	(338,560,915)
Software	—	—	(57,119)	—	(57,119)
<b>Total Accumulated Depreciation</b>	<b>\$ (688,322,516)</b>	<b>\$ (27,482,970)</b>	<b>\$ (77,995,628)</b>	<b>\$ 9,686,035</b>	<b>\$ (784,115,079)</b>
<b>Capital Assets, Net (GASB presentation)</b>	<b>\$ 1,302,652,046</b>	<b>\$ 56,526,925</b>	<b>\$ 25,982,189</b>	<b>\$ (20,759,482)</b>	<b>\$ 1,364,401,678</b>

# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 5. Capital Assets (continued)

#### Component Units (continued)

Certain higher education foundations and other similar organizations utilize FASB standards; therefore, only the June 30, 2005, balances are available as follows:

Capital Assets Not Being Depreciated:	
Land	\$ 26,193,139
Construction in Progress	89,664,768
Total Capital Assets, Not Being Depreciated	<u>\$ 115,857,907</u>
 Capital Assets Being Depreciated:	
Buildings	\$ 355,636,780
Machinery and Equipment	19,108,481
Total Capital Assets Being Depreciated	<u>\$ 374,745,261</u>
 Less: Accumulated Depreciation	<u>\$ (28,109,029)</u>
 Capital Assets, Net (FASB presentation)	<u><u>\$ 462,494,139</u></u>
  Total Capital Assets, Net - All Component Units	<u><u>\$ 1,826,895,817</u></u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 6. Risk Management

#### A. Public Entity Risk Pool

The Department of Community Health administers the State's Health Benefit Plan for the State. Participants include State agencies, component units, participating county governments and local educational agencies. This plan is funded by participating employer and employee contributions and appropriations from the Georgia General Assembly. The Department of Community Health has contracted with Blue Cross Blue Shield of Georgia as the claims processing agent for the State Employees' Health Benefit Plan.

A reconciliation of total claims liabilities for fiscal years ended June 30, 2005, and 2004, is shown below:

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Unpaid Claims and Claim Adjustments July 1	\$ 166,044,491	\$ 173,783,922
Incurring Claims and Claims Adjustment Expenses - Provisions for Insured Events of the Current Year	1,487,907,145	1,330,155,729
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(1,478,374,396)</u>	<u>(1,337,895,160)</u>
Unpaid Claims and Claim Adjustments June 30	\$ <u>175,577,240</u>	\$ <u>166,044,491</u>

#### B. Board of Regents Employee Health Benefits Plan

The Board of Regents of the University System of Georgia maintains a program of health benefits for its employees and retirees. This plan is funded jointly through premiums paid by participants covered under the plan and employer contributions paid by the Board of Regents and its organizational units. All units of the University System of Georgia share the risk of loss for claims of the plan.

The Board of Regents has contracted with Blue Cross Blue Shield to process all claims in accordance with medical coverage guidelines as established by the Board of Regents.

A reconciliation of total claims liabilities for fiscal years ended June 30, 2005, and 2004, is shown below:

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Unpaid Claims and Claim Adjustments July 1	\$ 26,506,140	\$ 20,556,348
Incurring Claims and Claims Adjustment Expenses - Provisions for Insured Events of the Current Year	226,706,590	221,832,435
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(225,629,676)</u>	<u>(215,882,643)</u>
Unpaid Claims and Claim Adjustments June 30	\$ <u>27,583,054</u>	\$ <u>26,506,140</u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 6. Risk Management (continued)

#### C. Other Risk Management

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS services claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. Premiums for the risk management program are charged to the State agencies by DOAS to provide claims servicing and claims payment.

A reconciliation of total claims liabilities for fiscal years ended June 30, 2005, and 2004, is shown below:

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Unpaid Claims and Claim Adjustments July 1	\$ 381,993,897	\$ 356,918,338
Incurring Claims and Claims Adjustment Expenses - Provisions for Insured Events of the Current Year	118,760,009	131,539,668
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	(112,364,601)	(106,464,109)
Unpaid Claims and Claim Adjustments June 30	\$ <u>388,389,305</u>	\$ <u>381,993,897</u>

### Note 7. Construction and Other Significant Commitments

#### Primary Government

The Georgia State Financing and Investment Commission has entered into agreements with various State departments and agencies for the expenditure of bond sale proceeds and cash supplements (provided by the department or agency involved) to acquire and construct capital projects. At June 30, 2005, the undisbursed balance remaining on these agreements was \$808,260,326.

At June 30, 2005, the Department of Transportation had contractual commitments of \$2,871,185,561 for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants, motor fuel tax funds and general obligation bond proceeds.

### Note 8. Operating Leases

#### A. Lessee

The State leases land, office facilities, office and computer equipment, and other assets. These leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the State has the option of renewing the lease on a year-to-year basis. Certain governmental organizations within the State's reporting entity do not maintain adequate systems for recording lease commitments in accordance with GAAP.

Total lease payments for the State's governmental activities, business-type activities, and component units were \$90,609,707, \$27,119,148, and \$5,745,535, respectively, for the year ended June 30, 2005. Future minimum commitments for operating leases as of June 30, 2005, are listed below. Amounts are included for renewable leases for which the option to renew for the subsequent fiscal year has been exercised.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 8. Operating Leases (continued)

	Governmental Activities	Business-Type Activities	Component Units
<u>Fiscal Year Ended June 30</u>			
2006	\$ 73,882,773	\$ 31,331,337	\$ 5,066,500
2007	45,614,435	14,124,808	4,328,772
2008	42,035,487	11,532,354	3,592,869
2009	38,467,596	9,963,600	2,740,014
2010	35,185,484	8,372,036	2,366,206
2011-2015	120,590,226	23,284,482	9,164,940
2016-2020	39,059,927	14,600,993	—
2021-2025	20,603,851	15,445,294	—
2026-2030	41,940	14,829,996	—
2031-2035	41,940	—	—
2036-2040	41,940	—	—
2041-2045	41,940	—	—
2046-2050	41,940	—	—
2051-2055	41,940	—	—
2056-2060	41,940	—	—
2061-2065	21,275	—	—
	<u>\$ 415,754,634</u>	<u>\$ 143,484,900</u>	<u>\$ 27,259,301</u>
Less: Sublease Revenues	<u>—</u>	<u>—</u>	<u>(2,210,000)</u>
Total Minimum Commitments	<u>\$ 415,754,634</u>	<u>\$ 143,484,900</u>	<u>\$ 25,049,301</u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 8. Operating Leases (continued)

#### *B. Lessor*

The State leases certain of its facilities for use by others for terms varying from 1 to 65 years, with the majority of leases controlled by the State Properties Commission. These leases are accounted for as operating leases; revenues for services provided and for use of facilities are recorded when earned. Total revenues from rental of facilities for the State's

governmental activities and component units were \$7,693,459, and \$13,140,896, respectively for the year ended June 30, 2005. Minimum future revenues and rentals to be received under operating leases as of June 30, 2005, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2006	\$ 8,219,711	\$ 12,780,168
2007	8,353,525	12,001,436
2008	8,165,322	10,165,549
2009	8,041,789	8,299,246
2010	8,012,751	7,756,783
2011-2015	41,470,355	33,702,169
2016-2020	40,457,051	25,929,291
2021-2025	7,185,261	18,404,041
2026-2030	7,533,327	14,764,974
2031-2035	7,361,692	15,355,542
2036-2040	8,231,257	15,876,170
2041-2045	7,871,430	16,987,502
2046-2050	3,065,933	14,541,302
2051-2055	3,120,000	—
2056-2060	3,220,000	—
2061-2065	3,320,000	—
2066-2070	3,420,000	—
2071-2075	696,000	—
Total Minimum Commitments	\$ <u>177,745,404</u>	\$ <u>206,564,173</u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 9. Capital Leases

The State acquires certain property and equipment through multi-year capital leases with varying terms and options. The majority of these agreements contain fiscal funding clauses in accordance with OCGA 50-5-64 which prohibits the creation of a debt to the State of Georgia for the payment of any sums under such agreements beyond the fiscal year of execution if appropriated funds are not available. If renewal of such agreements is reasonably assured, however, capital leases requiring appropriation by the General Assembly are considered noncancellable for financial reporting purposes.

As noted in the Summary of Significant Accounting Policies (Note 1F), capital lease transactions of governmental activities have not been consistently recorded in conformity with GAAP. Capital assets in prior years have not been recorded at the net present value of the minimum payments nor has the long-term liability applicable to capital leases been consistently recorded. Also, the State does not consistently record expenditures and other financing sources in the governmental funds when capitalized leases are entered into as required by GAAP. At June 30, 2005, future commitments under capital leases were as follows:

	Governmental Activities	Business-Type Activities	Component Units
<b><u>Fiscal Year Ended June 30</u></b>			
2006	\$ 1,273,554	\$ 57,030,070	\$ 2,619,600
2007	1,075,198	56,261,049	2,491,312
2008	927,856	55,605,531	1,978,852
2009	560,222	54,949,057	1,802,923
2010	398,192	53,293,066	1,509,048
2011-2015	1,127,705	259,486,462	6,052,541
2016-2020	—	266,515,297	2,988,225
2021-2025	—	238,233,909	—
2026-2030	—	176,126,598	—
2031-2035	—	60,217,090	—
 Total Capital Lease Payments	 \$ 5,362,727	 \$ 1,277,718,129	 \$ 19,442,501
Less: Interest and Executory Costs	(240,408)	(599,662,907)	(4,513,998)
 Present Value of Capital Lease Payments	 \$ 5,122,319	 \$ 678,055,222	 \$ 14,928,503

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 10. Long-Term Liabilities

#### Primary Government

Changes in long-term liabilities for the fiscal year ended June 30, 2005, is shown in the table below:

	Balance	Retroactive Restatement of Prior			Balance	Amounts Due
	July 1, 2004	Year Balance	Increases	Decreases	June 30, 2005	Within One Year
<b>Governmental activities:</b>						
Compensated Absences Payable	\$ 247,078,010	\$ —	\$ 130,350,184	\$ (123,459,093)	\$ 253,969,101	\$ 101,883,228
Capital Lease Obligations	4,892,313	449,554	1,643,968	(1,863,516)	5,122,319	1,113,679
Contracts Payable	27,498,257	—	—	(13,628,972)	13,869,285	13,869,285
Notes and Loans Payable	2,505,615	1,769,019	—	(691,975)	3,582,659	422,672
General State Bond Debt	15,505	—	—	(15,505)	—	—
General Obligation Bonds Payable	6,513,380,000	—	665,480,000	(994,995,000)	6,183,865,000	539,070,000
Net Unamortized Premiums	—	70,613,604	66,772,146	(5,830,847)	131,554,903	—
Deferred Amount on Refunding	—	(28,941,817)	(52,646,674)	5,102,663	(76,485,828)	—
Other	15,942,351	—	—	(6,286,513)	9,655,838	—
<b>Total Governmental activities</b>	<b>\$ 6,811,312,051</b>	<b>\$ 43,890,360</b>	<b>811,599,624</b>	<b>\$ (1,141,668,758)</b>	<b>\$ 6,525,133,277</b>	<b>\$ 656,358,864</b>
<b>Business-type activities:</b>						
Compensated Absences Payable	\$ 155,387,143	\$ —	\$ 119,572,126	\$ (110,791,984)	\$ 164,167,285	\$ 94,600,780
Capital Lease Obligations	479,272,219	—	223,780,216	(24,997,213)	678,055,222	19,079,644
Notes and Loans Payable	2,512,357	—	2,505,615	(774,106)	4,243,866	569,843
<b>Total Business-type activities</b>	<b>\$ 637,171,719</b>	<b>\$ —</b>	<b>345,857,957</b>	<b>\$ (136,563,303)</b>	<b>\$ 846,466,373</b>	<b>\$ 114,250,267</b>

The governmental funds in which the leases are recorded will liquidate the capital lease obligations for governmental activities. The compensated absences liabilities will be liquidated by the applicable funds that account for the salaries and wages of the related employees.

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both general State and proprietary activities, to provide loans to local governments for water and sewer systems, to construct educational facilities for local school systems, and to refund general obligation bonds. As of June 30, 2005, the State had \$1,848,484,500 of authorized but unissued general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the State. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government	1.75% - 7.45%	\$ 5,497,715,000
General Government - Refunding	4.75% - 6.30%	686,150,000
Total General Obligation Bonds Outstanding		<u>\$ 6,183,865,000</u>

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 10. Long-Term Liabilities (continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year	Principal	Interest	Total
2006	\$ 539,070,000	\$ 321,744,632	\$ 860,814,632
2007	545,960,000	292,478,256	838,438,256
2008	477,615,000	262,678,757	740,293,757
2009	473,490,000	235,285,300	708,775,300
2010	488,715,000	207,578,319	696,293,319
2011-2015	1,997,280,000	661,105,455	2,658,385,455
2016-2020	1,258,445,000	233,681,918	1,492,126,918
2021-2025	403,290,000	27,785,257	431,075,257
Total General Obligation Bonds	\$ 6,183,865,000	\$ 2,242,337,894	\$ 8,426,202,894

During fiscal year 2005, the State issued \$458,605,000 General Obligation Refunding Bonds Series 2004C to advance refund \$184,965,000 Series 1999D, \$61,210,000 Series 2000A, \$107,550,000 Series 2000D, and \$112,945,000 Series 2002B General Obligation Bonds. The principal amount of the refunding bonds and \$61,956,825 of original issue premium, less \$1,245,151 in bond issuance cost were paid to an escrow agent to be placed in an irrevocable trust account to provide for the debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Assets.

The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$52,646,674. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through fiscal year 2020 using the straight-line method, which approximates the effective interest method. The refunding reduced the State's aggregate debt service payments by \$28,634,026 over 15 years and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$20,384,690. At June 30, 2005, the total amount outstanding of defeased general obligation bonds was \$458,665,000.

### Component Units

Changes in long-term liabilities for the year ended June 30, 2005, was as follows:

	Balance	Retroactive Restatement			Balance	Amounts Due
	Balance	of Prior			June 30, 2005	Within One Year
	July 1, 2004	Year Balance	Increases	Decreases		
Compensated Absences Payable	\$ 18,802,896	\$ (1,525)	\$ 4,949,016	\$ (4,244,090)	\$ 19,506,297	\$ 11,521,521
Capital Lease Obligations	29,948,655	(15,336,983)	2,604,466	(2,287,635)	14,928,503	1,817,060
Notes and Loans Payable	142,291,207	(8,777,209)	95,689,248	(108,635,208)	120,568,038	64,223,828
Prizes Payable	204,960,000	—	11,500,000	(11,196,000)	205,264,000	12,323,000
Revenue/Mortgage Bonds Payable	2,830,658,749	(40,052,640)	301,318,288	(357,762,709)	2,734,161,688	113,640,164
Other	143,255,157	(78,174,614)	3,738,970	(6,187,957)	62,631,556	3,718,822
Total Component Units	\$ 3,369,916,664	\$ (142,342,971)	\$ 419,799,988	\$ (490,313,599)	\$ 3,157,060,082	\$ 207,244,395

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 10. Long-Term Liabilities (continued)

Notes and loans payable at June 30, 2005 included a one-time special short-term borrowing of \$40,000,000 entered into by Medical College of Georgia Health, Incorporated, during the last week of the fiscal year. The interest rate on this note was the LIBOR Market Index Rate plus 1.0%. The proceeds from this short-term borrowing were used for an intergovernmental transfer to Regents related to the Company's participation in certain Medicaid reimbursement programs. The outstanding principal plus accrued interest on this loan was repaid in full on July 1, 2005.

The Georgia Development Authority reported three long-term notes payable to banks with a combined outstanding balance at June 30, 2005, of \$34,043,204. One note, secured by LIBOR mortgage loans financed through the note, is payable in semi-annual payments of \$384,615 that includes interest at LIBOR plus one percent, and has an outstanding balance at June 30, 2005, of \$5,000,000. Another note, secured by various fixed rate mortgage loans financed through the note, bears interest at a rate of 6.8% per annum, and has an outstanding balance at June 30, 2005, of \$22,343,204. The final note, secured by LIBOR mortgage loans financed through the note, is payable in semi-annual payments at a rate of LIBOR plus 1.35 percent, and has an outstanding balance at June 30, 2005, of \$6,700,000.

Revenue/mortgage bonds outstanding at June 30, 2005, consisted primarily of: mortgage bonds issued by the Georgia Housing and Finance Authority for financing the purchase of single family mortgage loans for eligible persons and families of low and moderate income within the State of Georgia; revenue bonds issued by the State Road and Tollway Authority for the financing of certain construction projects within the State's highway system; and revenue bonds issued by various University System of Georgia foundations totaling \$1,186,823,582 to fund acquisitions and improvements of properties and facilities. The significant revenue and mortgage bonds outstanding at June 30, 2005, consist of the following:

	Georgia Housing and Finance Authority	State Road and Tollway Authority
Interest Rates	1.100% - 11.25%	2.25% - 5.375%
Bonds Outstanding	\$ 610,650,688	\$ 669,125,000
Unamortized Premium	38,995	29,396,429
Deferred Amount on Refunding	—	(2,282,963)
Net Bonds Outstanding	<u>\$ 610,689,683</u>	<u>\$ 696,238,466</u>

Annual debt service requirements to maturity for revenue/mortgage bonds are as follows:

Year	Georgia Housing and Finance Authority			State Road and Tollway Authority		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 20,948,000	\$ 29,803,000	\$ 50,751,000	\$ 29,790,000	\$ 33,131,689	\$ 62,921,689
2007	21,907,000	28,899,000	50,806,000	31,085,000	31,844,088	62,929,088
2008	21,853,000	27,962,000	49,815,000	32,520,000	30,378,711	62,898,711
2009	22,673,000	26,995,000	49,668,000	34,030,000	28,889,074	62,919,074
2010	23,891,000	25,965,000	49,856,000	35,660,000	27,224,429	62,884,429
2011-2015	121,077,000	113,007,000	234,084,000	179,415,000	108,341,643	287,756,643
2016-2020	121,690,000	83,895,000	205,585,000	209,945,000	60,056,778	270,001,778
2021-2025	118,335,000	53,918,000	172,253,000	116,680,000	10,535,375	127,215,375
2026-2030	96,150,000	25,299,000	121,449,000	—	—	—
2031-2035	45,785,000	4,317,000	50,102,000	—	—	—
Future Accretion - Capital Appreciation Bonds	(3,659,000)	3,659,000	—	—	—	—
Total Revenue/Mortgage Bonds	<u>\$ 610,650,000</u>	<u>\$ 423,719,000</u>	<u>\$ 1,034,369,000</u>	<u>\$ 669,125,000</u>	<u>\$ 330,401,787</u>	<u>\$ 999,526,787</u>

Various series of bonds under Resolution 1 and 3 at Georgia Housing and Finance Authority include capital appreciation bonds that require no payments of principal or interest until maturity. Capital appreciation bonds accrete to their maturity values at effective yields ranging from 7.10% to 11.25%.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 11. Interfund Balances

Due To/From Other Funds at June 30, 2005, consist of the following:

	Due To:			
	General Fund	Nonmajor Enterprise Fund	Internal Service Funds	Total Due To
<b>Due From:</b>				
General Fund	\$ —	\$ 8,610,970	\$ —	\$ 8,610,970
Georgia State Financing and Investment Commission	13,772,619	—	—	13,772,619
Higher Education Fund	—	1,002,152	—	1,002,152
Internal Service Fund	—	207,273	—	207,273
Fiduciary Funds	—	10	1,799,000	1,799,010
<b>Total Due From</b>	<b>\$ 13,772,619</b>	<b>\$ 9,820,405</b>	<b>\$ 1,799,000</b>	<b>\$ 25,392,024</b>

Interfund receivables and payables result from billings for goods/services provided between funds. All interfund receivables and payables are considered short term in nature.

Interfund transfers at June 30, 2005, consist of the following:

	Transfers Out:		Enterprise Funds				Total Transfers In
	General Fund	Georgia State Financing and Investment Commission	Higher Education Fund	Nonmajor Enterprise Fund	Internal Service Funds		
<b>Transfers In:</b>							
General Fund	\$ —	\$ 156,605,332	\$ 2,251,048	\$ 11,865,100	\$ 1,322,844	\$	172,044,324
Nonmajor Governmental Funds	816,478,149	34,757,021	—	—	—		851,235,170
Higher Education Fund	1,973,369,533	—	—	3,858,000	—		1,977,227,533
State Health Benefit Plan	33,956,708	—	—	—	—		33,956,708
Nonmajor Enterprise Fund	—	—	—	—	18,574,112		18,574,112
Internal Service Funds	31,860,085	—	—	—	—		31,860,085
Fiduciary Funds	3,417,505	—	—	—	—		3,417,505
<b>Total Transfers Out</b>	<b>\$ 2,859,081,980</b>	<b>\$ 191,362,353</b>	<b>\$ 2,251,048</b>	<b>\$ 15,723,100</b>	<b>\$ 19,896,956</b>	<b>\$</b>	<b>3,088,315,437</b>

Transfers are used to move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 12. Nonmonetary Transactions

#### Primary Government

The Georgia Department of Administrative Services operates the Donation of Federal Surplus Personal Property program for the purpose of distributing surplus properties made available by the General Services Administration to eligible institutions, organizations and agencies. The value of surplus property received and distributed is not reported as revenues and expenses on the combined statement of revenues, expenditures and changes in fund balances, and the inventory on hand at June 30, 2005, is not reported on the combined balance sheet. The changes in Federal surplus personal property inventory during the fiscal year ended June 30, 2005, were as follows:

Balance July 1, 2004	\$	9,342,448
Additions		
Property Received		<u>12,286,538</u>
	\$	21,628,986
Deductions		
Property Donated and Other Distributions		<u>9,595,643</u>
Balance June 30, 2005	\$	<u><u>12,033,343</u></u>

### Note 13. Contingencies

#### A. Grants and Contracts

Amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the Federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms. The State believes that such disallowances, if any, will be immaterial to its overall financial position.

#### B. Litigation

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate disposition of these proceedings is not presently determinable. However, the ultimate disposition of these proceedings would not have a material adverse effect on the financial condition of the State, with the following exceptions:

#### Primary Government

A refund lawsuit has been filed against the Department of Revenue attributable to investment tax credits ("ITCs"). These credits arose under OCGA 48-7-40.2, -40.3, -40.4 as a result of various projects undertaken by AT&T Communications and its parent, AT&T Corp., in constructing or expanding telecommunication facilities in Georgia. The Department of Revenue determined that a portion of the refund was statute-barred at the time the company's amended Georgia return claiming the refund was filed. The Department also determined that AT&T Communications was not entitled to the ITC's that AT&T Corp. attempted to assign to the taxpayer on the parent's amended return, pursuant to OCGA 48-7-42. Should the plaintiff prevail in full, the amount of refund is estimated to be \$7.3 million plus interest. The case is in the initial discovery stage. The Department believes that it has good and valid defenses and intends to defend the case vigorously.

A suit has been filed against the Department of Human Resources by a custodial parent receiving child support enforcement services from the Department of Human Resources' Office of Child Support Enforcement ("OCSE"). The plaintiff has filed an action seeking class certification on behalf of all custodial parents who have ever received services from OCSE, alleging contractual and tort-based claims for damages based on OCSE's alleged failure to collect statutory interest charges that may have accrued on the plaintiff's child support judgment. If the plaintiff were to succeed in obtaining class certification and to prevail on her claims, the State's estimated potential liability could be \$400,000,000 or greater. OCSE contends that it has good and adequate defenses against the plaintiff's claim and intends to defend the suit on its merits vigorously and to oppose vigorously the granting of class certification.

A suit has also been filed against the Department of Human Resources by nine foster children in the custody of the Department of Human Resources ("DHR"), on behalf of a class of foster children in Fulton and DeKalb Counties, alleging systemic failures and deficiencies in the foster care program. The parties have entered into a consent decree in which State defendants have agreed to undertake a series of improvements in the system and that the plaintiffs are prevailing parties entitled to an award of reasonable attorney's fees and expenses. The issue of what is a reasonable amount of attorneys' fees and expenses of litigation is now being litigated. On December 9, 2005, the plaintiffs filed a motion with the court seeking a total of \$14,342,860 in attorneys' fees and an additional \$1,679,115 in nontaxable costs. The State defendants will be contesting these amounts. The actual amount to be awarded by the court is uncertain at this time.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 13. Contingencies (continued)

A civil action has been filed against the Teachers' Retirement System seeking additional benefits retroactive to the time of each individual plaintiffs' respective retirement dates for a class of those retirees who elected survivorship options and who retired between 1983 and February 1, 2003 in the retirement plan administered by the Teachers' Retirement System of Georgia ("TRS"). Plaintiffs allege that they are due such additional benefits for monies lost due to TRS' allegedly inappropriate use of option factors and the mortality tables implicit in them to calculate retirees' monthly benefits. Cross motions for summary judgment were pending, after a hearing held on May 4, 2005. The motion for summary judgment of TRS and its Trustees was granted and the Order so granting is currently being prepared by counsel. Plaintiffs have indicated that their appeal will be filed immediately after entry of the Order.

A suit has been filed against the Georgia State Financing and Investment Commission (GSFIC) involving a third-party action by the joint venture construction manager for the Georgia World Congress Center Phase IV expansion project based upon indemnity from a number of subcontractors' claims and the construction manager's own delay and disruption claims, all based upon a number of different construction situations. The subcontractors' claims of approximately \$50,000,000 were submitted to arbitration, with a ruling issued on April 21, 2005, denying the vast majority of claims and awarding approximately \$5,000,000 to the subcontractors. Only two subcontractors have indicated that they may appeal the award. The Court required each party to file its specific affirmative claims, cross claims and counter claims and all parties have filed their respective claim documents. GSFIC has filed its Amended Answer and Counterclaim, and the construction manager has filed claims for GSFIC to pay the arbitration awards against it and its own direct claims, totaling approximately \$20,000,000 over the contract price. GSFIC has counterclaims of \$19,000,000, and has withheld retainage of \$8,000,000 as a set-off to fund the GSFIC claims. GSFIC believes it has good and valid defenses to many if not all of the asserted claims and intends to defend its position and, further, to pursue its counterclaims vigorously.

### C. Guaranteed Loans

#### Component Units

The Federal Government, through the Guaranteed Student Loan Programs of the U. S. Department of Education, fully reinsured loans guaranteed through September 30, 1993, until the State's rate of annual losses (defaults) exceeded five percent (5%). In the event of future adverse loss

experience, the State could be liable for up to (1) twenty percent (20%) of the outstanding balance of loans in repayment status at the beginning of each year which were disbursed prior to October 1, 1993, and (2) twenty-two percent (22%) of the outstanding balance of loans in repayment status at the beginning of each year which were disbursed on or after October 1, 1993.

### Note 14. Subsequent Events

#### Primary Government

##### *General Obligation Bonds Issued*

The State issued General Obligation Bonds in the amount of \$506,760,000 on September 1, 2005 (Series 2005A) and in the amount of \$96,355,000 on November 1, 2005 (Series 2005C). The State issued Taxable General Obligation Bonds in the amount of \$7,600,000 on November 1, 2005 (Series 2005D). Proceeds of the bonds will be used to finance various capital acquisitions.

##### *General Obligation Refunding Bonds Issued*

On September 1, 2005, the State issued \$425,000,000 of General Obligation Refunding Bonds (Series 2005B). Proceeds of the bonds will be used to advance refund certain outstanding general obligation bonds.

### Note 15. Retirement Systems

The State's significant retirement systems are described below:

#### *Employees' Retirement System of Georgia*

##### **Plan Description**

Employees' Retirement System of Georgia ("ERS") is a single-employer, defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained at the ERS offices.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan ("SRBP") of ERS. SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code ("IRC") as a portion of ERS. The purpose of the SRBP is to provide retirement benefits to employees

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 15. Retirement Systems (continued)

covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

#### Benefits

The benefit structure of ERS was significantly modified on July 1, 1982. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. All other members are "new plan" members subject to the modified plan provisions.

Under both the old and new plans, a member may retire and receive normal retirement benefits after completion of ten (10) years of creditable service and attainment of age sixty-five (65). Additionally, there are some provisions allowing for retirement after twenty-five (25) years of creditable service regardless of age.

Retirement benefits paid to members are based upon the monthly average of the member's highest twenty-four (24) consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Post-retirement cost-of-living adjustments are also made to members' benefits. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

#### Summary of Significant Accounting Policies

The financial statements are prepared on the accrual basis of accounting. Contributions from the employer and members are recognized as additions in the period in which the members provide services. Benefit and refund payments are recognized as deductions when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. No investment in any one organization except the U. S. Government represents five percent (5%) or more of the net assets available for pension benefits.

#### Funding Policy

Member contributions under the old plan are four percent (4%) of annual compensation up to \$4,200 plus six percent (6%) of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of one and one-quarter percent (1.25%) of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan are one and one-quarter percent (1.25%) of annual compensation. The State is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation.

#### Annual Pension Cost

The required contribution for 2005 was determined as part of the June 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) seven and one-quarter percent (7.25%) investment rate of return, (b) projected salary increases of five and forty-five one-hundredths percent (5.45%) to nine and one-quarter percent (9.25%) per year, and (c) an inflation rate of three and three-quarters percent (3.75%) per year.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. ERS' actuarial funding excess is being amortized as a level percentage of projected payroll on an open basis. The employer contributions are projected to liquidate the actuarial accrued funding liability within twelve (12) years based upon the actuarial valuation at June 30, 2004, on the assumption that the total payroll of active members will increase by three and three-quarters percent (3.75%) each year.

#### Three-Year Trend Information for ERS (in thousands):

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	233,229	100%	0
2003	246,172	100%	0
2004	245,388	100%	0

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 15. Retirement Systems (continued)

#### *Regents Retirement Plan*

##### **Plan Description**

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established and administered by the Board of Regents of the University System of Georgia (Proprietary Fund – Higher Education), under which an eligible faculty member or principal administrator may purchase annuity contracts for the purpose of receiving retirement and death benefits. The four (4) approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) have separately issued financial reports, which may be obtained through their respective corporate offices.

##### **Benefits**

Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

##### **Funding Policy**

The University System of Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2005, the employer contribution was nine and sixty-five one-hundredths percent (9.65%) of the participating employee's earnable compensation. Employees contribute five percent (5%) of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times. In 2005, employer and employee contributions were (in thousands) \$64,014 (9.65%) and \$32,853 (5%), respectively.

#### *Teachers' Retirement System of Georgia*

##### **Plan Description**

The Teachers' Retirement System of Georgia ("TRS") is a cost-sharing multiple-employer plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. TRS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained at the TRS offices.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers ("SRBP"). SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code ("IRC") as a portion of TRS. The purpose of SRBP is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

##### **Benefits**

TRS provides service retirement, disability retirement, and survivor's benefits. Title 47 of the Official Code of Georgia assigns the authority to establish and amend the provisions of TRS to the State legislature. A member is eligible for normal service retirement after thirty (30) years of creditable service, regardless of age, or after ten (10) years of service and attainment of age sixty (60). A member is eligible for early retirement after twenty-five (25) years of creditable service.

Normal retirement (pension) benefits paid to members are equal to two percent (2%) of the average of the member's two (2) highest paid consecutive years of service, multiplied by the number of years of creditable service up to forty (40) years. Early retirement benefits are reduced by the lesser of one-twelfth (1/12) of seven percent (7%) for each month the member is below age sixty (60), or by seven percent (7%) for each year or fraction thereof by which the member has less than thirty (30) years of service. It is also assumed that certain cost-of-living adjustments, based on the consumer price index, will be made in future years. Retirement benefits are payable monthly for life. Death, disability and spousal benefits are also available.

##### **Summary of Significant Accounting Policies**

The financial statements of TRS are prepared on the accrual basis of accounting. Contributions from the employers and members are recognized as additions when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefit and refund payments are recognized as deductions when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. No investment in any one organization, except the U. S. Government, represents five percent (5%) or more of the net assets available for pension benefits.

# State of Georgia

## Notes to the Financial Statements For the Year Ended June 30, 2005

### Note 15. Retirement Systems (continued)

#### Funding Policy

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are five percent (5%) of annual salary, and employer contributions are nine and twenty-four one-hundredths percent (9.24%), as required by the June 30, 2003, actuarial valuation. The State's contributions to TRS for the years ending June 30, 2005, 2004, and 2003 were (in thousands) \$123,865, \$123,832, and \$123,023, respectively, and were equal to the required contributions for each year.

### Note 16. Postemployment Benefits

In addition to the pension benefits described in Note 15, the State of Georgia provides postretirement health care benefits through the State Health Benefit Plan to retirees pursuant to Title 45, Chapter 18 of the OCGA. An individual eligible for these benefits must have been a full time employee at the time of retirement of either the State of Georgia or a county social service agency and must be receiving monthly retirement benefits from either the Employees' Retirement System of Georgia or a county employees' retirement system. The State Health Benefit Plan is a public entity risk pool funded by employee and employer contributions. Employees and retirees subject to the Plan contribute amounts determined by the State Personnel Board for various health insurance plans. The various agencies of the State contribute to the health insurance fund based upon amounts recommended by the State Personnel Board and set forth in the Appropriations Act. The State Health Benefit Plan is funded on a "pay-as-you-go" basis. Expenses of the Plan include provisions for incurred but not reported claims.

As of June 30, 2005, there were 24,016 employees who had retired and were receiving postretirement health care benefits through the State Health Benefit Plan. For the fiscal year ended June 30, 2005, the State recognized expenditures of \$154,781,050, which was net of retiree contributions of \$44,773,783.

Pursuant to the general powers conferred by OCGA Section 20-3-31, the Board of Regents of the University System of Georgia (college and university funds) has established group health and life insurance programs for regular employees of the University System. It is the policy of the Board of Regents to permit employees of the University System

eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. Employees who are eligible for retirement or disability under the criteria established by the Teachers Retirement System and who have at least ten years of service with the University System are eligible for these postemployment health and life insurance benefits. The University System pays the employer portion for group insurance for affected individuals. For the fiscal year ended June 30, 2005, the University System recognized expenditures of \$49,212,798, which was net of participant contributions of \$25,916,227.

### Note 17. Deficit Fund Balances/Net Assets

The following organizations/funds had deficit balances at June 30, 2005.

#### Primary Government

##### General Fund

At June 30, 2005, the General Fund had an unreserved, undesignated fund deficit of \$78,976,956. This deficit is primarily due to timing differences in posting liability accruals and the corresponding assets, and to a statutory requirement to calculate the Revenue Shortfall Reserve on a budgetary basis.

##### Internal Service Funds

*Agency for Removal of Hazardous Materials* – At June 30, 2005, the agency had an unrestricted net assets deficit of \$350,564.

##### Internal Service Funds – Risk Management

*State Indemnification Fund* – At June 30, 2005, the Fund has an unrestricted net assets deficit of \$500,051.

*Unemployment Compensation Fund* - At June 30, 2005, the Fund had an unrestricted net assets deficit of \$3,007,720.

*Workers' Compensation Fund* – At June 30, 2005, the Fund had an unrestricted net assets deficit of \$99,993,861. If this deficit were allocated back to the contributing funds, the amount attributable to the General Fund is approximately sixty-eight percent or \$68 million, the Higher Education Fund portion is approximately twenty-two percent or \$22 million, and the remainder applies primarily to component units and external organizations.

# State of Georgia

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## Notes to the Financial Statements For the Year Ended June 30, 2005

### **Note 17. Deficit Fund Balances/Net Assets (continued)**

#### **Component Units**

*Lake Lanier Islands Development Authority* - At June 30, 2005, the Authority had an unrestricted net assets deficit of \$7,453,358.

*North Georgia Mountains Authority* – At June 30, 2005, the Authority had an unrestricted net assets deficit of \$8,603,070.

*Road and Tollway Authority* – At June 30, 2005, the Authority had an unrestricted net assets deficit of \$354,440,010. This deficit is the result of a timing difference in the flow of the Authority's assets (bond proceeds) and liabilities (bond debt). Bond proceeds are disbursed over a three- to five-year construction period (the resulting assets are not capital assets of the Authority); whereas the bond debt obligations generally have maturity periods of twenty years.

*Georgia Tech Facilities, Incorporated* – At June 30, 2005, the Corporation had an unrestricted net assets deficit of \$5,708,000.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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# State of Georgia

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## Required Supplementary Information For the Fiscal Year Ended June 30, 2005

### Employees' Retirement System of Georgia

#### *Schedule of Funding Progress*

(dollars in thousands)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability ("AAL") - Entry Age (b)</b>	<b>Unfunded AAL/(Funding Excess) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>Unfunded AAL/(Funding Excess) as a Percentage of Covered Payroll [(b-a)/c]</b>
6/30/02	12,124,414	11,994,850	(129,564)	101.1%	2,408,306	(5.4%)
6/30/03	12,428,736	12,370,563	(58,173)	100.5%	2,489,490	(2.3%)
6/30/04	12,797,389	13,106,648	309,259	97.6%	2,445,619	12.6%

# State of Georgia

## Required Supplementary Information Budgetary Comparison Schedule Budget Fund For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Funds Available (inflows)				
Revenues:				
State Appropriation				
Regular	\$ 15,448,164,768	\$ 15,625,848,315	\$ 15,622,227,507	\$ (3,620,808)
Lottery Proceeds	771,553,228	776,892,107	776,892,107	0
Tobacco Settlement Funds	156,370,000	156,370,000	156,370,000	0
Federal Revenues	7,704,412,702	11,039,161,593	9,721,474,467	(1,317,687,126)
Other Revenues Retained	4,731,916,530	7,597,466,604	6,539,360,039	(1,058,106,565)
Total Revenues	\$ 28,812,417,228	\$ 35,195,738,619	\$ 32,816,324,120	\$ (2,379,414,499)
Carry-Over from Prior Year:				
Transfer from Fund Balance	—	1,518,367,470	1,663,327,485	144,960,015
Total Funds Available	\$ 28,812,417,228	\$ 36,714,106,089	\$ 34,479,651,605	\$ (2,234,454,484)
Expenditures (outflows)				
Administrative Services, Department of	\$ 179,343,784	\$ 202,432,741	\$ 41,301,782	\$ 161,130,959
Agriculture, Department of	48,451,962	53,681,678	53,547,810	133,868
Audits and Accounts, Department of	28,443,466	28,193,466	27,530,625	662,841
Banking and Finance, Department of	9,850,558	10,187,213	10,159,158	28,055
Community Affairs, Department of	179,931,380	263,702,692	248,954,836	14,747,856
Community Health, Department of	8,131,512,089	11,192,812,666	10,011,302,919	1,181,509,747
Corrections, Department of	907,832,119	1,011,195,142	965,850,492	45,344,650
Defense, Department of	43,541,986	38,938,877	38,144,825	794,052
Early Care and Learning, Department of	360,959,969	392,911,537	382,905,562	10,005,975
Economic Development, Department of	25,812,690	25,796,981	25,176,364	620,617
Education, Department of	6,928,793,016	7,723,774,823	7,584,846,987	138,927,836
Employees' Retirement System -				
Administrative Expense Fund	11,596,478	17,747,633	14,199,889	3,547,744
Forestry Commission	37,806,520	49,039,545	48,657,417	382,128
General Assembly	33,304,450	32,854,358	29,316,511	3,537,847
General Obligation Debt Sinking Fund	923,167,993	905,611,482	816,478,149	89,133,333
Governor, Office of the	42,494,761	193,574,871	140,054,991	53,519,880
Guaranteed Revenue Debt Common Reserve Fund				0
Human Resources, Department of	2,575,234,831	3,478,366,725	3,182,387,994	295,978,731
Insurance, Department of	16,609,672	17,676,026	16,939,738	736,288
Investigation, Georgia Bureau of	91,115,171	153,395,957	119,889,939	33,506,018
Judicial Branch	154,626,752	168,285,147	176,748,899	(8,463,752)
Juvenile Justice, Department of	285,735,574	305,284,763	297,527,365	7,757,398
Labor, Department of	347,258,096	418,195,988	407,020,448	11,175,540
Law, Department of	35,024,648	51,219,025	50,595,697	623,328
Motor Vehicle Safety, Department of	88,872,574	97,720,290	95,617,295	2,102,995
Natural Resources, Department of	126,765,541	264,484,015	244,472,299	20,011,716
Pardons and Paroles, State Board of	44,720,644	45,795,063	45,117,017	678,046
Personnel Board, State - Merit System of				
Personnel Administration	13,716,521	15,181,768	12,910,934	2,270,834
Public Safety, Department of	93,837,541	128,632,036	115,681,753	12,950,283
Public School Employees' Retirement System	1,420,696	1,420,696	1,420,696	0
Public Service Commission	8,347,019	8,776,709	8,678,625	98,084
Public Telecommunications Commission	33,504,954	31,519,544	28,303,860	3,215,684
Regents of the University System of Georgia, Board of	3,834,311,738	4,691,136,031	3,940,899,751	750,236,280

# State of Georgia

## Required Supplementary Information Budgetary Comparison Schedule Budget Fund For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Revenue, Department of	\$ 486,740,235	\$ 522,687,184	\$ 521,396,487	\$ 1,290,697
Secretary of State	36,471,649	58,536,574	57,941,884	594,690
Soil and Water Conservation Commission	5,269,712	7,832,077	7,824,092	7,985
Student Finance Commission	538,769,289	538,841,975	484,630,477	54,211,498
Teachers' Retirement System - Expense Fund	26,547,268	26,885,607	25,928,323	957,284
Technical and Adult Education, Department of	363,869,512	513,899,411	493,162,114	20,737,297
Transportation, Department of	1,664,186,905	2,977,674,417	2,293,124,017	684,550,400
Veterans Service, Department of	31,749,758	33,168,815	32,933,775	235,040
Workers' Compensation, State Board of	14,867,707	15,034,541	12,493,573	2,540,968
Total Expenditures	\$ 28,812,417,228	\$ 36,714,106,089	\$ 33,112,075,369	\$ 3,602,030,720
Excess of Funds Available over Expenditures			\$ 1,367,576,236	\$ 1,367,576,236

# State of Georgia

## Required Supplementary Information Budgetary Comparison Schedule Budget-To-GAAP Reconciliation For the Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
<b>Sources/Inflows of Resources</b>	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	\$ 34,479,651,605
Differences - budget to GAAP:	
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	16,820,305,784
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(4,489,083,463)
Budgeted Carry-Over Funds from Prior Year Fund Balances shown as Funds Available in Budget Fund, but removed for financial reporting purposes.	(1,663,327,485)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(135,877,604)
Receivables and revenues accrued based on encumbrances reported for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting.	(332,249,908)
Accrual of taxpayer assessed receivables and revenues .	2,674,959
State appropriation revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(16,555,489,612)
Some federal financial assistance is reported as revenue when received in the Budget Fund, but these funds are not earned at year end, and are shown as deferred revenue for GAAP purposes.	(57,001,335)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(385,842,017)
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(663,541,256)
Revenue reported for nonbudgetary food stamp program.	1,016,964,569
Revenue reported for nonbudgetary donated commodities.	68,770,862
Increase in investment income to reflect change in fair value of investments.	2,781,008
Other net accrued receivables and revenues.	<u>619,062,287</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u><u>28,727,798,394</u></u>

# State of Georgia

## Required Supplementary Information Budgetary Comparison Schedule Budget-To-GAAP Reconciliation For the Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
<b>Uses/Outflows of Resources</b>	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	\$ 33,112,075,369
Differences - budget to GAAP:	
Expenditures of Nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	70,011,527
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(6,736,721,072)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(816,122,020)
Encumbrances for supplies and equipment ordered but not received are reported as budgetary expenditures in the year the order is placed, but are reported as GAAP expenditures in the year the supplies and equipment are received.	(513,915,392)
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(385,842,018)
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(119,438,476)
Change in expenditure accrual for nonbudgetary medicaid claims	(51,600,000)
Expenditures reported for nonbudgetary food stamp program.	1,016,964,569
Expenditures reported for nonbudgetary donated commodities.	71,676,604
Accrual of teacher salaries not included in current budget year.	39,791,823
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	1,643,969
Other net accrued liabilities and expenditures.	<u>112,336,424</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u><u>25,800,861,307</u></u>

# State of Georgia

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## Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2005

### Budgetary Process

The Official Code of Georgia Annotated (OCGA), Title 45, Chapter 12, Article 4 sets forth the process for the development and monitoring of an appropriated budget for the State of Georgia. Not later than September 1 of each year, the head of each executive branch budget unit must submit estimates of the financial requirements for the subsequent fiscal year to the Office of Planning and Budget, which operates under the direction of the Governor. Budget estimates relative to the legislative and judicial branches of State government are provided to the Office of Planning and Budget for the purpose of estimating the total financial needs of the State, but are not subject to revision or review by the Office of Planning and Budget.

The Governor, through the Office of Planning and Budget, examines the estimates and may investigate and revise executive branch submissions as necessary. Upon the completion and revisions of the estimates, the Governor must prepare and submit a budget report to the General Assembly within five days of the date on which the General Assembly convenes. The Governor possesses the responsibility and authority to establish the revenue estimate for the corresponding fiscal year.

The General Assembly, after adopting such modifications to the Governor's budget report, as it deems necessary, enacts the General Appropriations Act for the subsequent fiscal year. Each General Appropriations Act enacted, along with amendments as are adopted, continues in force and effect for the next fiscal year after adoption. In accordance with the Constitution of the State of Georgia, Article III, Section IX, Paragraph IV, the General Assembly is prohibited from appropriating funds for any given fiscal year which, in the aggregate, exceeds the amount of unappropriated surplus funds expected to have accrued at the beginning of the subsequent fiscal year together with the total estimated amount of receipts from existing revenue sources, less refunds, anticipated to be collected in the subsequent fiscal year. The Constitution further authorizes the passage of additional Supplementary Appropriation Acts, provided sufficient unappropriated surplus is available or additional revenue measures have been enacted. Federal funds received by the State are continually appropriated in the exact amounts and for the purposes authorized and directed by the awarding federal agency.

Internal transfers within a budget unit and between objects of functional or activity budget units are subject to the condition that no State funds shall be transferred for the purpose of initiating a new program area not currently having a State funds appropriation.

The Governor, through the Office of Planning and Budget, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the activities and functions set forth in the Appropriations Act. Budget units submit quarterly allotment requests, which must be approved in conjunction with quarterly work programs prior to release of appropriated funds. Further monitoring of budget unit activities is accomplished by review of expenditure reports, which are submitted quarterly to the Office of Planning and Budget.

Budget units (i.e., agencies, commissions) of the State are responsible for budgetary control of their respective portion of the total State appropriated budget. The legal level of budgetary control is at the object class level. Due to the complex nature of the State appropriated budget, a separate budgetary report entitled, "Report of the State Auditor," is published each year. This report includes a listing of State organizations (appropriation units) which incurred expenditures in excess of amounts budgeted by object class.

The appropriated budget covers the majority of the governmental funds included within the State of Georgia reporting entity, but excludes the debt service fund and capital projects funds, which are not subject to appropriation. The budget does include certain proprietary funds, the higher education funds, and the administrative costs of operating various public employee retirement systems.

### Budgetary Presentation

The accompanying budgetary comparison schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. The Budget Fund, a compilation of the budget units of the State, differs from the funds presented in the basic financial statements. The Budget-to-GAAP reconciliation immediately following the budgetary comparison schedule identifies the types and amounts of adjustments necessary to reconcile the Budget Fund with the General Fund as reported in accordance with generally accepted accounting principles.

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# **COMBINING AND INDIVIDUAL FUND STATEMENTS**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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# State of Georgia

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## Nonmajor Governmental Funds

### DEBT SERVICE FUND

The Debt Service Fund accounts for the payment of principal and interest on the State's general long-term debt.

### CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for the acquisition or construction of governmental capital assets. The State's nonmajor capital projects funds are described below:

**Georgia Building Authority (Hospital)** accounts for the acquisition, construction, repair, maintenance, improvement, operation and management of self-liquidating projects on property owned by the authority. These projects include hospitals, health care facilities, dormitories and housing accommodations for patients, officers and employees of institutions controlled by state agencies.

**Georgia Building Authority (Markets)** accounts for the construction and renovation of farmers markets and related facilities.

**Georgia Building Authority (Penal)** accounts for the acquisition, construction, repair, maintenance, improvement, operation and management of buildings, facilities, equipment and services for the State penal system.

**Georgia Education Authority (University)** accounts for the construction and improvement of buildings and facilities of institutions under the authority of the Board of Regents of the University System of Georgia.

### PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The State's nonmajor permanent fund is described below:

The **Pupils Trust Fund - Georgia Academy for the Blind** is used to account for principal trust amounts received and related interest income. The interest portion of the trust may be used for student activities at Georgia Academy for the Blind.

# State of Georgia

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

	Debt Service	Georgia Building Authority (Hospital)
<b>Assets</b>		
Cash and Cash Equivalents	\$ —	\$ 3,184,033
Investments	—	779,193
Receivables (Net of Allowances for Uncollectibles)		
Other	—	—
	<u>                    </u>	<u>                    </u>
 Total Assets	 \$ <u>                    0</u>	 \$ <u>                    3,963,226</u>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable and Other Accruals	\$ —	\$ —
	<u>                    </u>	<u>                    </u>
Fund Balances:		
Reserved for Other Specific Purposes	\$ —	\$ —
Unreserved, Undesignated	—	3,963,226
	<u>                    </u>	<u>                    </u>
 Total Fund Balances	 \$ <u>                    0</u>	 \$ <u>                    3,963,226</u>
 Total Liabilities and Fund Balances	 \$ <u>                    0</u>	 \$ <u>                    3,963,226</u>

Capital Projects				
Georgia Building Authority (Markets)	Georgia Building Authority (Penal)	Georgia Education Authority (University)	Permanent Fund	Total
\$ 188,236	\$ 1,508,913	\$ 1,460,923	\$ 13,500	\$ 6,355,605
46,054	369,250	356,270	—	1,550,767
—	—	1,229,758	—	1,229,758
<u>\$ 234,290</u>	<u>\$ 1,878,163</u>	<u>\$ 3,046,951</u>	<u>\$ 13,500</u>	<u>\$ 9,136,130</u>
\$ —	\$ —	\$ 46,691	\$ —	46,691
\$ —	\$ 1,013,793	\$ —	\$ 13,500	\$ 1,027,293
<u>234,290</u>	<u>864,370</u>	<u>3,000,260</u>	<u>—</u>	<u>8,062,146</u>
<u>\$ 234,290</u>	<u>\$ 1,878,163</u>	<u>\$ 3,000,260</u>	<u>\$ 13,500</u>	<u>\$ 9,089,439</u>
<u>\$ 234,290</u>	<u>\$ 1,878,163</u>	<u>\$ 3,046,951</u>	<u>\$ 13,500</u>	<u>\$ 9,136,130</u>

# State of Georgia

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2005

	Debt Service	Georgia Building Authority (Hospital)
Revenues:		
Interest and Other Investment Income	\$ —	\$ 87,000
Rents and Royalties	—	—
Other	—	—
Total Revenues	\$ 0	\$ 87,000
Expenditures:		
General Government	\$ —	\$ 3,858
Education	—	—
Capital Outlay	—	—
Debt Service		
Principal	524,515,000	—
Interest	332,671,640	—
Accrued Interest on Bonds Retired in Advance	203,963	—
Discount on Bonds Retired in Advance	(10,229,169)	—
Other Debt Service Expenditures	5,318,887	—
Total Expenditures	\$ 852,480,321	\$ 3,858
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (852,480,321)	\$ 83,142
Other Financing Sources (Uses):		
Refunding Bonds Issuance	\$ 458,605,000	\$ —
Premium on Refunding Bonds Sold	61,956,825	—
Payment to Refunded Bond Escrow Agent	(519,316,674)	—
Operating Transfers In	851,235,170	—
Net Other Financing Sources (Uses)	\$ 852,480,321	\$ 0
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 0	\$ 83,142
Fund Balances, July 1	0	3,880,084
Fund Balances, June 30	\$ 0	\$ 3,963,226

Capital Projects				
Georgia Building Authority (Markets)	Georgia Building Authority (Penal)	Georgia Education Authority (University)	Permanent Fund	Total
\$ 5,155	\$ 41,242	\$ 181,789	\$ 132	\$ 315,318
—	—	68,440	—	68,440
—	—	912,133	—	912,133
\$ 5,155	\$ 41,242	\$ 1,162,362	\$ 132	\$ 1,295,891
\$ 2,643	\$ 3,180	\$ 9,680	\$ —	\$ 19,361
—	—	—	132	132
—	—	914,240	—	914,240
—	—	68,440	—	524,583,440
—	—	136,881	—	332,808,521
—	—	—	—	203,963
—	—	—	—	(10,229,169)
—	—	—	—	5,318,887
\$ 2,643	\$ 3,180	\$ 1,129,241	\$ 132	\$ 853,619,375
\$ 2,512	\$ 38,062	\$ 33,121	\$ 0	\$ (852,323,484)
\$ —	\$ —	\$ —	\$ —	\$ 458,605,000
—	—	—	—	61,956,825
—	—	—	—	(519,316,674)
—	—	—	—	851,235,170
\$ 0	\$ 0	\$ 0	\$ 0	\$ 852,480,321
\$ 2,512	\$ 38,062	\$ 33,121	\$ 0	\$ 156,837
231,778	1,840,101	2,967,139	13,500	8,932,602
\$ 234,290	\$ 1,878,163	\$ 3,000,260	\$ 13,500	\$ 9,089,439

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## **INTERNAL SERVICE FUNDS**

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# State of Georgia

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## Internal Service Funds

**Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The State's internal service funds are described below:

The **Department of Administrative Services** delivers a variety of supportive services to all state agencies and, upon request, to local governments in Georgia. Among the services provided are purchasing, surplus property, printing, motor pool and building space management.

The **Georgia Building Authority** is primarily responsible for constructing and maintaining State office buildings, maintaining the grounds within the State Capitol complex, maintaining the Governor's Mansion and operating parking facilities.

The **Correctional Industries Administration** utilizes the inmate work force to manufacture products and provide services for the penal system, other units of state government and local governments.

The **Merit System of Personnel Administration** provides a career service to the classified employees in the executive branch based on the principles of merit, equal opportunity and freedom from political influence.

The **Agency for Removal of Hazardous Materials** administers a program for the abatement and removal of asbestos and other hazardous materials from the premises of the State, state authorities, counties, municipal corporations, local and independent school systems, and other units and authorities of government.

The **Risk Management** column is an accumulation of the funds used to account for self-insurance programs established by individual agreement, statute or administrative action:

The **Liability Insurance Fund** is used to account for the accumulation of funds for the purpose of providing liability insurance coverage for employees of the State against personal liability for damages arising out of performance of their duties.

The **Property Insurance Fund** is used to account for the assessment of premiums against various state agencies for the purpose of providing property, fire and extended coverage, automobile, aircraft and marina insurance.

The **State Employees' Assurance Department** is used to account for the accumulation of funds for the purpose of providing survivors' benefits for eligible members of the Employees' Retirement System.

The **State Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any law enforcement officer, fireman or prison guard killed in the line of duty.

The **Supplemental Pay Fund** was created to provide a program of compensation for law enforcement officers who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty and caused by a willful act of violence and for firefighters who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty while fighting a fire. This program, not to exceed a 12 month period, shall entitle an injured law enforcement officer or firefighter to receive monthly compensation in an amount equal to such person's regular compensation for the period of time that the person is physically unable to perform the required duties of employment.

# State of Georgia

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## Internal Service Funds

The **Teacher Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any public school employees killed or permanently disabled by an act of violence in the line of duty on or after July 1, 2001.

The **Unemployment Compensation Fund** was created for the purpose of consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor.

The **Workers' Compensation Fund** was established to authorize insurance coverage for employees of the State and for the receipt of premiums as prescribed by the Workers' Compensation statutes of the State.

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# State of Georgia

## Combining Statement of Net Assets Internal Service Funds June 30, 2005

	Administrative Services, Department of	Building Authority, Georgia	Correctional Industries Administration	Merit System of Personnel Administration
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 8,817,929	\$ 20,041,625	\$ 14,208,165	\$ 3,042,193
Investments	942,178	4,891,636	2,271,961	—
Accounts Receivable (Net of Allowances for Uncollectibles)	896,158	2,005,205	1,515,700	1,088,553
Due from Other Funds	—	—	—	—
Inventories	16,025	340,810	7,054,208	—
Prepaid Items	123,765	33,087	32,758	—
Noncurrent Assets:				
Investments	—	—	—	—
Capital Assets:				
Land	—	21,455,477	44,432	—
Buildings and Building Improvements	339,177	320,449,947	10,899,757	—
Improvements Other Than Buildings	—	5,031,863	—	—
Machinery and Equipment	4,227,564	1,960,206	17,778,515	751,041
Works of Art and Collections	—	1,239,575	—	—
Accumulated Depreciation	(3,566,095)	(123,504,692)	(19,198,435)	(707,636)
Total Assets	\$ 11,796,701	\$ 253,944,739	\$ 34,607,061	\$ 4,174,151
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Other Accruals	\$ 549,942	\$ 7,007,706	\$ 197,713	\$ 141,141
Due to Other Funds	21,512	120,644	—	65,117
Salaries/Withholdings Payable	3,532	8,321	—	(718)
Contracts Payable	—	28,083	—	—
Deferred Revenue	1,094,805	—	92,425	—
Customer Deposits	—	797,467	—	—
Claims and Judgments Payable	—	—	—	—
Compensated Absences Payable - Current	730,667	1,154,088	313,261	385,501
Noncurrent Liabilities:				
Compensated Absences Payable	554,734	—	380,848	335,985
Total Liabilities	\$ 2,955,192	\$ 9,116,309	\$ 984,247	\$ 927,026
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	\$ 1,000,646	\$ 226,632,376	\$ 9,524,269	\$ 43,405
Restricted for:				
Surplus Property Working Capital	3,320,478	—	—	—
Unrestricted	4,520,385	18,196,054	24,098,545	3,203,720
Total Net Assets	\$ 8,841,509	\$ 244,828,430	\$ 33,622,814	\$ 3,247,125

Removal of Hazardous Materials, Agency for	Risk Management	Total
\$ 4,596	\$ 82,873,976	\$ 128,988,484
—	70,789,938	78,895,713
6,286	3,654,287	9,166,189
—	1,799,000	1,799,000
3,489	—	7,414,532
—	—	189,610
—	1,093,182,358	1,093,182,358
—	—	21,499,909
—	—	331,688,881
—	—	5,031,863
586,264	—	25,303,590
—	—	1,239,575
(576,124)	—	(147,552,982)
\$ 24,511	\$ 1,252,299,559	\$ 1,556,846,722
\$ 364,935	\$ 918,401	\$ 9,179,838
—	—	207,273
—	—	11,135
—	—	28,083
—	4,162,062	5,349,292
—	—	797,467
—	388,389,305	388,389,305
—	—	2,583,517
—	—	1,271,567
\$ 364,935	\$ 393,469,768	\$ 407,817,477
\$ 10,140	\$ —	\$ 237,210,836
—	—	3,320,478
(350,564)	858,829,791	908,497,931
\$ (340,424)	\$ 858,829,791	\$ 1,149,029,245

# State of Georgia

## Combining Statement of Net Assets Internal Service Funds Risk Management June 30, 2005

	Liability Insurance Fund	Property Insurance Fund	State Employees' Assurance Department
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 45,859,661	\$ 6,882,538	\$ 1,035,000
Investments	34,336,465	5,173,835	9,482,235
Accounts Receivable (Net of Allowances for Uncollectibles)	11,305	1,192	—
Due From Other Funds	—	—	1,799,000
Noncurrent Assets:			
Investments	118,088,926	17,793,695	882,334,765
Total Assets	\$ 198,296,357	\$ 29,851,260	\$ 894,651,000
<b>Liabilities</b>			
Current Liabilities:			
Cash Overdraft	\$ —	\$ —	\$ —
Accounts Payable and Other Accruals	34,916	223,693	50,000
Deferred Revenue	1,005,902	3,156,160	—
Claims and Judgments Payable	150,608,000	12,976,263	—
Total Liabilities	\$ 151,648,818	\$ 16,356,116	\$ 50,000
<b>Net Assets</b>			
Unrestricted	\$ 46,647,539	\$ 13,495,144	\$ 894,601,000

State Indemnification Fund	Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ 33,798	\$ 1,444,200	\$ 311,424	\$ —	\$ 28,091,597	\$ 83,658,218
25,291	1,080,738	233,047	(586,873)	21,045,200	70,789,938
—	—	—	3,641,790	—	3,654,287
—	—	—	—	—	1,799,000
86,982	3,716,841	801,490	(2,018,353)	72,378,012	1,093,182,358
\$ 146,071	\$ 6,241,779	\$ 1,345,961	\$ 1,036,564	\$ 121,514,809	\$ 1,253,083,801
\$ —	\$ —	\$ —	\$ 784,242	\$ —	\$ 784,242
6,122	—	—	—	603,670	918,401
—	—	—	—	—	4,162,062
640,000	—	—	3,260,042	220,905,000	388,389,305
\$ 646,122	\$ 0	\$ 0	\$ 4,044,284	\$ 221,508,670	\$ 394,254,010
\$ (500,051)	\$ 6,241,779	\$ 1,345,961	\$ (3,007,720)	\$ (99,993,861)	\$ 858,829,791

# State of Georgia

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds For the Fiscal Year Ended June 30, 2005

	Administrative Services, Department of	Building Authority, Georgia	Correctional Industries Administration
Operating Revenues:			
Contributions/Premiums	\$ —	\$ —	\$ —
Rents and Royalties	—	41,220,924	—
Sales and Services	10,794,458	6,695,797	23,701,140
Other	271,020	661,045	—
Total Operating Revenues	\$ 11,065,478	\$ 48,577,766	\$ 23,701,140
Operating Expenses:			
Personal Services	\$ 10,667,759	\$ 11,865,890	\$ 7,333,606
Services and Supplies	7,603,289	33,036,862	17,484,032
Benefits	—	—	—
Claims and Judgments	—	—	—
Depreciation	620,178	9,637,458	2,078,530
Total Operating Expenses	\$ 18,891,226	\$ 54,540,210	\$ 26,896,168
Operating Income (Loss)	\$ (7,825,748)	\$ (5,962,444)	\$ (3,195,028)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	\$ 77,342	\$ 588,275	\$ 395,816
Other	(64,715)	1,107,018	272,310
Total Nonoperating Revenues (Expenses)	\$ 12,627	\$ 1,695,293	\$ 668,126
Income (Loss) Before Contributions and Transfers	\$ (7,813,121)	\$ (4,267,151)	\$ (2,526,902)
Capital Contributions	\$ —	\$ 25,948,883	\$ —
Transfers:			
Transfers In	\$ 31,860,085	\$ 612,556	\$ —
Transfers Out	(19,905,905)	—	—
Net Transfers	\$ 11,954,180	\$ 612,556	\$ 0
Change in Net Assets	\$ 4,141,059	\$ 22,294,288	\$ (2,526,902)
Net Assets, July 1	13,760,380	222,534,142	36,149,716
Adjustments	(9,059,930)	—	—
Net Assets, June 30	\$ 8,841,509	\$ 244,828,430	\$ 33,622,814

Merit System of Personnel Administration	Removal of Hazardous Materials, Agency for	Risk Management	Total Before Eliminations	Eliminations	Total
\$ —	\$ —	\$ 47,984,186	\$ 47,984,186	\$ —	\$ 47,984,186
2,950	—	—	41,223,874	—	41,223,874
14,991,448	2,405	—	56,185,248	—	56,185,248
—	—	6,628,088	7,560,153	—	7,560,153
<u>14,994,398</u>	<u>2,405</u>	<u>54,612,274</u>	<u>152,953,461</u>	<u>0</u>	<u>152,953,461</u>
\$ 8,136,276	\$ —	\$ —	\$ 38,003,531	\$ —	\$ 38,003,531
4,381,351	309,208	23,166,099	85,980,841	—	85,980,841
—	—	21,916,000	21,916,000	—	21,916,000
—	—	118,760,009	118,760,009	—	118,760,009
40,460	1,690	—	12,378,316	—	12,378,316
<u>12,558,087</u>	<u>310,898</u>	<u>163,842,108</u>	<u>277,038,697</u>	<u>0</u>	<u>277,038,697</u>
<u>2,436,311</u>	<u>(308,493)</u>	<u>(109,229,834)</u>	<u>(124,085,236)</u>	<u>0</u>	<u>(124,085,236)</u>
\$ —	\$ —	\$ 95,896,824	\$ 96,958,257	\$ —	\$ 96,958,257
—	—	—	1,314,613	—	1,314,613
<u>0</u>	<u>0</u>	<u>95,896,824</u>	<u>98,272,870</u>	<u>0</u>	<u>98,272,870</u>
<u>2,436,311</u>	<u>(308,493)</u>	<u>(13,333,010)</u>	<u>(25,812,366)</u>	<u>0</u>	<u>(25,812,366)</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>25,948,883</u>	<u>—</u>	<u>25,948,883</u>
\$ —	\$ 87,994	\$ —	\$ 32,560,635	\$ (700,550)	\$ 31,860,085
(691,601)	—	—	(20,597,506)	700,550	(19,896,956)
<u>(691,601)</u>	<u>87,994</u>	<u>0</u>	<u>11,963,129</u>	<u>0</u>	<u>11,963,129</u>
\$ 1,744,710	\$ (220,499)	\$ (13,333,010)	\$ 12,099,646	\$ 0	\$ 12,099,646
1,502,415	(119,925)	868,438,391	1,142,265,119		1,142,265,119
—	—	3,724,410	(5,335,520)	0	(5,335,520)
<u>3,247,125</u>	<u>(340,424)</u>	<u>858,829,791</u>	<u>1,149,029,245</u>	<u>0</u>	<u>1,149,029,245</u>

# State of Georgia

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Risk Management For the Fiscal Year Ended June 30, 2005

	Liability Insurance Fund	Property Insurance Fund	State Employees' Assurance Department	State Indemnification Fund
Operating Revenues:				
Contributions/Premiums	\$ 7,009,252	\$ 18,113,940	\$ 8,424,000	\$ —
Other	2,849	—	—	—
Total Operating Revenues	\$ 7,012,101	\$ 18,113,940	\$ 8,424,000	\$ 0
Operating Expenses:				
Services and Supplies	\$ 5,623,675	\$ 9,119,348	\$ 1,042,791	\$ 46,398
Benefits	—	—	21,916,000	—
Claims and Judgments	41,786,884	2,973,463	—	594,968
Total Operating Expenses	\$ 47,410,559	\$ 12,092,811	\$ 22,958,791	\$ 641,366
Operating Income (Loss)	\$ (40,398,458)	\$ 6,021,129	\$ (14,534,791)	\$ (641,366)
Nonoperating Revenues (Expenses):				
Interest and Other Investment Income	16,707,088	2,218,908	65,188,791	23,379
Change in Net Assets	\$ (23,691,370)	\$ 8,240,037	\$ 50,654,000	\$ (617,987)
Net Assets, July 1	70,338,909	5,255,107	843,947,000	34,353
Adjustments	—	—	—	83,583
Net Assets, June 30	\$ 46,647,539	\$ 13,495,144	\$ 894,601,000	\$ (500,051)

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ —	\$ 487,648	\$ 13,949,346	\$ —	\$ 47,984,186
—	—	—	6,625,239	6,628,088
\$ 0	\$ 487,648	\$ 13,949,346	\$ 6,625,239	\$ 54,612,274
\$ 8,197	\$ 1,453	\$ 60,214	\$ 7,264,023	\$ 23,166,099
—	—	—	—	21,916,000
7,104	—	7,955,363	65,442,227	118,760,009
\$ 15,301	\$ 1,453	\$ 8,015,577	\$ 72,706,250	\$ 163,842,108
\$ (15,301)	\$ 486,195	\$ 5,933,769	\$ (66,081,011)	\$ (109,229,834)
471,381	89,839	(274,166)	11,471,604	95,896,824
\$ 456,080	\$ 576,034	\$ 5,659,603	\$ (54,609,407)	\$ (13,333,010)
5,785,699	769,927	(12,308,150)	(45,384,454)	868,438,391
—	—	3,640,827	—	3,724,410
\$ 6,241,779	\$ 1,345,961	\$ (3,007,720)	\$ (99,993,861)	\$ 858,829,791

# State of Georgia

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2005

	Administrative Services, Department of	Building Authority, Georgia
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 11,142,959	\$ 50,090,741
Cash Received from Required Contributions/Premiums	—	—
Cash Paid to Vendors	(7,141,679)	(29,013,995)
Cash Paid to Employees	(10,713,362)	(11,986,115)
Cash Paid for Benefits	—	—
Cash Paid for Claims and Judgments	—	—
Other Operating Items (Net)	—	—
Net Cash Provided by (Used in) Operating Activities	\$ (6,712,082)	\$ 9,090,631
Cash Flows from Noncapital Financing Activities:		
Transfers from Other Funds	\$ 31,860,085	\$ 612,556
Transfers to Other Funds	(19,905,905)	—
Other Noncapital Items (Net)	—	—
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 11,954,180	\$ 612,556
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	\$ —	\$ 3,378,384
Proceeds from Sale of Capital Assets	—	2,548,068
Acquisition and Construction of Capital Assets	(302,340)	(13,564,451)
Net Cash Used in Capital and Related Financing Activities	\$ (302,340)	\$ (7,637,999)
Cash Flows from Investing Activities:		
Purchase of Investments (Net)	\$ 1,284,757	\$ 2,458,524
Interest and Dividends Received	77,342	588,238
Net Cash Provided by Investing Activities	\$ 1,362,099	\$ 3,046,762
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 6,301,857	\$ 5,111,950
Cash and Cash Equivalents, July 1	2,516,072	14,929,675
Cash and Cash Equivalents, June 30	\$ 8,817,929	\$ 20,041,625

Correctional Industries Administration	Merit System of Personnel Administration	Removal of Hazardous Materials, Agency for	Risk Management	Total
\$ 23,609,687	\$ 15,959,004	\$ 2,404	\$ —	\$ 100,804,795
—	—	—	48,270,676	48,270,676
(18,002,564)	(4,194,051)	(154,217)	(23,229,527)	(81,736,033)
(7,419,144)	(8,141,812)	—	—	(38,260,433)
—	—	—	(21,916,000)	(21,916,000)
—	—	—	(108,640,191)	(108,640,191)
—	—	—	6,628,088	6,628,088
<u>\$ (1,812,021)</u>	<u>\$ 3,623,141</u>	<u>\$ (151,813)</u>	<u>\$ (98,886,954)</u>	<u>\$ (94,849,098)</u>
\$ —	\$ —	\$ 83,594	\$ —	\$ 32,556,235
—	(691,601)	—	—	(20,597,506)
299,159	—	—	—	299,159
<u>\$ 299,159</u>	<u>\$ (691,601)</u>	<u>\$ 83,594</u>	<u>\$ 0</u>	<u>\$ 12,257,888</u>
\$ —	\$ —	\$ —	\$ —	\$ 3,378,384
5,300	—	—	—	2,553,368
(1,550,550)	—	—	—	(15,417,341)
<u>\$ (1,545,250)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (9,485,589)</u>
\$ 2,778,811	\$ —	\$ —	\$ 2,010,801	\$ 8,532,893
395,816	—	—	105,219,984	106,281,380
<u>\$ 3,174,627</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,230,785</u>	<u>\$ 114,814,273</u>
\$ 116,515	\$ 2,931,540	\$ (68,219)	\$ 8,343,831	\$ 22,737,474
14,091,650	110,653	72,815	74,530,145	106,251,010
<u>\$ 14,208,165</u>	<u>\$ 3,042,193</u>	<u>\$ 4,596</u>	<u>\$ 82,873,976</u>	<u>\$ 128,988,484</u>

(continued)

# State of Georgia

## Combining Statement of Cash Flows Internal Service Funds (continued) For the Fiscal Year Ended June 30, 2005

	Administrative Services, Department of	Building Authority, Georgia
Operating Income (Loss)	\$ (7,825,748)	\$ (5,962,444)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	\$ 620,178	\$ 9,637,458
Changes in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	(577,818)	1,046,262
Decrease (Increase) in Due from Other Funds	358,906	—
Decrease (Increase) in Inventories	78,996	(117,251)
Decrease (Increase) in Prepaid Items	17,977	(12,747)
Increase in Accounts Payable and Other Accruals	383,916	4,139,093
Increase (Decrease) in Due to Other Funds	(1,302)	12,929
Increase (Decrease) in Salaries/Withholdings Payable	3,417	(3,116)
Increase in Contracts Payable	—	843
Increase (Decrease) in Deferred Revenue	296,393	—
Increase in Customer Deposits	—	466,713
Increase in Claims and Judgments Payable	—	—
Decrease in Compensated Absences Payable	(66,997)	(117,109)
Total Adjustments	\$ 1,113,666	\$ 15,053,075
Net Cash Provided by (Used in) Operating Activities	\$ (6,712,082)	\$ 9,090,631
Noncash Investing, Capital, and Financing Activities:		
Donation of Capital Assets	\$ —	\$ 22,570,499
Net Increase in Fair Value of Investments	—	37

<u>Correctional Industries Administration</u>	<u>Merit System of Personnel Administration</u>	<u>Removal of Hazardous Materials, Agency for</u>	<u>Risk Management</u>	<u>Total</u>
\$ <u>(3,195,028)</u>	\$ <u>2,436,311</u>	\$ <u>(308,493)</u>	\$ <u>(109,229,834)</u>	\$ <u>(124,085,236)</u>
\$ 2,078,530	\$ 40,460	\$ 1,690	\$ —	\$ 12,378,316
119,835	965,296	(1)	(3,156,679)	(1,603,105)
—	—	—	(636,000)	(277,094)
(591,617)	—	—	—	(629,872)
20,385	—	—	—	25,615
52,700	122,183	154,991	295,478	5,148,361
—	64,817	—	(358,906)	(282,462)
(80,327)	(721)	—	—	(80,747)
—	—	—	—	843
(211,288)	(390)	—	4,079,169	4,163,884
—	—	—	—	466,713
—	—	—	10,119,818	10,119,818
<u>(5,211)</u>	<u>(4,815)</u>	<u>—</u>	<u>—</u>	<u>(194,132)</u>
\$ <u>1,383,007</u>	\$ <u>1,186,830</u>	\$ <u>156,680</u>	\$ <u>10,342,880</u>	\$ <u>29,236,138</u>
\$ <u>(1,812,021)</u>	\$ <u>3,623,141</u>	\$ <u>(151,813)</u>	\$ <u>(98,886,954)</u>	\$ <u>(94,849,098)</u>
\$ 75,808	\$ —	\$ —	\$ —	\$ 22,646,307
—	—	—	(9,323,160)	(9,323,123)

# State of Georgia

## Combining Statement of Cash Flows Internal Service Funds Risk Management For the Fiscal Year Ended June 30, 2005

	Liability Insurance Fund	Property Insurance Fund	State Employees' Assurance Department
Cash Flows from Operating Activities:			
Cash Received from Required Contributions/Premiums	\$ 8,238,162	\$ 21,449,310	\$ 7,788,000
Cash Paid to Vendors	(5,647,718)	(8,932,038)	(1,267,791)
Cash Paid for Benefits	—	—	(21,916,000)
Cash Paid for Claims and Judgments	(39,001,884)	(3,771,264)	—
Other Operating Items (Net)	2,849	—	—
Net Cash Provided by (Used in) Operating Activities	\$ (36,408,591)	\$ 8,746,008	\$ (15,395,791)
Cash Flows from Noncapital Financing Activities:			
Other	\$ —	\$ —	\$ (90,000)
Cash Flows from Investing Activities:			
Purchase of Investments (Net)	\$ 32,597,966	\$ (6,666,337)	\$ (70,757,877)
Interest on Investments	9,682,351	1,338,533	87,278,668
Net Cash Provided by (Used in) Investing Activities	\$ 42,280,317	\$ (5,327,804)	\$ 16,520,791
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 5,871,726	\$ 3,418,204	\$ 1,035,000
Cash and Cash Equivalents, July 1	39,987,935	3,464,334	0
Cash and Cash Equivalents, June 30	\$ 45,859,661	\$ 6,882,538	\$ 1,035,000
Operating Income (Loss)	\$ (40,398,458)	\$ 6,021,129	\$ (14,534,791)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	\$ 223,008	\$ 262,103	\$ —
Increase in Due from Other Funds	—	—	(636,000)
Increase (Decrease) in Accounts Payable and Other Accruals	34,916	223,693	(225,000)
Decrease in Due to Other Funds	(58,959)	(36,383)	—
Increase in Deferred Revenue	1,005,902	3,073,267	—
Increase (Decrease) in Claims and Judgments Payable	2,785,000	(797,801)	—
Total Adjustments	\$ 3,989,867	\$ 2,724,879	\$ (861,000)
Net Cash Provided by (Used in) Operating Activities	\$ (36,408,591)	\$ 8,746,008	\$ (15,395,791)
Noncash Investing Activities:			
Net Increase (Decrease) in Fair Value of Investments	\$ 7,024,737	\$ 880,375	\$ (22,089,877)

State Indemnification Fund	Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ —	\$ —	\$ 487,648	\$ 10,307,556	\$ —	\$ 48,270,676
(40,464)	(8,197)	(1,453)	(60,214)	(7,271,652)	(23,229,527)
—	—	—	—	—	(21,916,000)
(306,218)	(7,104)	—	(8,521,494)	(57,032,227)	(108,640,191)
—	—	—	—	6,625,239	6,628,088
<u>\$ (346,682)</u>	<u>\$ (15,301)</u>	<u>\$ 486,195</u>	<u>\$ 1,725,848</u>	<u>\$ (57,678,640)</u>	<u>\$ (98,886,954)</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (103,829)</u>	<u>\$ —</u>	<u>\$ (193,829)</u>
\$ 280,112	\$ 134,162	\$ (367,223)	\$ (1,482,149)	\$ 48,272,147	\$ 2,010,801
14,265	263,998	51,214	(139,870)	6,730,825	105,219,984
<u>\$ 294,377</u>	<u>\$ 398,160</u>	<u>\$ (316,009)</u>	<u>\$ (1,622,019)</u>	<u>\$ 55,002,972</u>	<u>\$ 107,230,785</u>
\$ (52,305)	\$ 382,859	\$ 170,186	\$ 0	\$ (2,675,668)	\$ 8,150,002
<u>\$ 86,103</u>	<u>\$ 1,061,341</u>	<u>\$ 141,238</u>	<u>\$ 0</u>	<u>\$ 30,767,265</u>	<u>\$ 75,508,216</u>
<u>\$ 33,798</u>	<u>\$ 1,444,200</u>	<u>\$ 311,424</u>	<u>\$ 0</u>	<u>\$ 28,091,597</u>	<u>\$ 83,658,218</u>
<u>\$ (641,366)</u>	<u>\$ (15,301)</u>	<u>\$ 486,195</u>	<u>\$ 5,933,769</u>	<u>\$ (66,081,011)</u>	<u>\$ (109,229,834)</u>
\$ —	\$ —	\$ —	\$ (3,641,790)	\$ —	\$ (3,156,679)
—	—	—	—	—	(636,000)
6,122	—	—	—	255,747	295,478
(188)	—	—	—	(263,376)	(358,906)
—	—	—	—	—	4,079,169
288,750	—	—	(566,131)	8,410,000	10,119,818
<u>\$ 294,684</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,207,921)</u>	<u>\$ 8,402,371</u>	<u>\$ 10,342,880</u>
<u>\$ (346,682)</u>	<u>\$ (15,301)</u>	<u>\$ 486,195</u>	<u>\$ 1,725,848</u>	<u>\$ (57,678,640)</u>	<u>\$ (98,886,954)</u>
<u>\$ 9,114</u>	<u>\$ 207,383</u>	<u>\$ 38,625</u>	<u>\$ (134,296)</u>	<u>\$ 4,740,779</u>	<u>\$ (9,323,160)</u>

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## **FIDUCIARY FUNDS**

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# State of Georgia

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## Fiduciary Funds

Fiduciary funds are used to account for assets held by the State of Georgia in a fiduciary capacity. The State has the following fiduciary funds.

### **PENSION TRUST FUNDS**

Pension Trust Funds are used to account for activities of the public employee retirement systems. The State's pension trust funds are described below:

The **Class Nine Fire Department Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement and death benefits to volunteer firefighters of the State of Georgia.

The **Defined Contribution Plan** is used to account for the accumulation of resources for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system.

The **District Attorneys Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the district attorneys of the State of Georgia.

The **Employees' Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for qualified employees of the State of Georgia and its political subdivisions.

The **Firefighter's Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firemen of the State of Georgia.

The **Georgia Judicial Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for trial judges and solicitors of certain courts in Georgia, and their survivors and beneficiaries, superior court judges of the State of Georgia, and district attorneys of the State of Georgia.

The **Georgia Military Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to members of the Georgia National Guard.

The **Judges of the Probate Courts Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the judges of the Probate Courts of the State of Georgia.

The **Legislative Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for all members of the General Assembly.

The **Peace Officers' Annuity and Benefit Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the peace officers of the State of Georgia.

The **Public School Employees Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System.

The **Sheriffs' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the sheriffs of the State of Georgia.

The **Superior Court Clerks' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court Clerks of the State of Georgia.

# State of Georgia

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## Fiduciary Funds

### PENSION TRUST FUNDS (continued)

The **Superior Court Judges Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the superior court judges of the State of Georgia.

The **Teachers Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for teachers and administrative personnel employed in the public schools and the University System of Georgia.

### INVESTMENT TRUST FUNDS

Investment Trust Funds are used to account for the external portion of a government sponsored investment pool. The State's investment trust funds are described below:

The **Georgia Extended Asset Pool** is responsible for providing prudent management of public funds on behalf of the State of Georgia and local governments seeking income higher than money market rates.

**Georgia Fund 1** is a combination local and state government investment pool with primary objectives specific to safety of capital, investment income, liquidity and diversification while maintaining principal. This fund was established to enable local governments to voluntarily invest any idle local monies.

The **Regents Investment Pool** invests funds on behalf of units of the university system and their affiliated foundations.

### PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's private purpose trust funds are described below:

The **Auctioneers Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a person licensed under OCGA 43-6 (duly licensed auctioneer, apprentice auctioneer, or auction company) who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting auctioneers, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.

The **Real Estate Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a duly licensed broker, associate broker or salesperson who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting real estate brokerage, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.

The **Subsequent Injury Trust Fund** is a special workers' compensation fund designed to encourage employers to hire workers with pre-existing impairments by insuring against the aggravating impact such impairment could have if the worker were subsequently injured on the job.

# State of Georgia

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## Fiduciary Funds

### AGENCY FUNDS

Agency Funds are used to report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State's significant agency funds are described below:

The **Child Support Recovery Program** accounts for the collection of court ordered child support or child support amounts due as determined in conformity with the Social Security Act. Amounts collected are distributed and deposited in conformity with state law and the standards prescribed in the Social Security Act.

**County Medicaid Administrative Funds** are billed by the State on behalf of local governments, and represent eligible administrative costs paid at the county level. Amounts collected are distributed to county boards of health.

**Detainees' Accounts** are held for the detainees of statewide probation offices, correctional institutions, diversion centers, detention centers, transitional centers and boot camps for the purpose of paying court ordered fines, fees and restitutions and for operating recreational activities for detainees.

The **Flexible Benefits Program** accounts for participant payroll deductions for benefits and spending accounts; disbursements are made to insurance companies for premiums and to participants for spending account reimbursements.

The **Railroad Car Tax** fund is used to collect railroad car taxes on behalf of county governments and to remit the taxes back to the counties.

The **Real Estate Transfer Tax** fund is used to collect real estate transfer taxes on behalf of county governments and to remit the taxes back to the counties.

**Sales Tax Collections for Local Governments** consist of the **Education Local Option Sales Tax**, **Homestead Option Sales Tax**, **Local Option Sales Tax**, **MARTA Sales Tax**, and **Special Purpose Local Option Sales Tax**. These funds are used to account for the collection and disbursement of local option sales taxes on behalf of county and municipal governments.

The **Telecommunications Relay Service Fund** was established to provide telecommunication services to hearing/speech impaired Georgians. All local exchange telephone companies in the State impose a monthly maintenance surcharge on all residential and business local exchange access facilities, which are deposited into this fund solely for the provisions of the Dual Party Relay System.

The **Universal Service Fund** was established for the purpose of assisting low-income customers in times of emergency by providing energy conservation assistance to such customers; and to provide contributions in aid of construction to permit the electing distribution company to extend and expand its facilities from time to time as the commission deems to be in the public interest. Funding comes from rate refunds from interstate pipeline suppliers, funds deposited by marketers, and various other refunds, surcharges and earnings.

# State of Georgia

## Combining Statement of Fiduciary Net Assets Pension Trust Funds June 30, 2005

	Class Nine Fire Department Pension Fund	Defined Contribution Plan	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund
<b>Assets</b>							
Cash and Cash Equivalents	\$ 104,645	\$ 710,597	\$ 1,000	\$ 15,306,563	\$ 241,149	\$ 483,197	\$ 57,000
Receivables							
Interest and Dividends	—	29,000	—	74,380,000	1,401,634	—	—
Due from Brokers for Securities Sold	—	—	—	11,779,000	2,493,923	—	—
Other	—	1,083,624	—	19,035,056	—	119,084	—
Investments							
Investment Accounts	3,029,022	—	—	—	32,808,238	—	—
Pooled Investments	—	43,189,779	—	12,745,057,659	—	256,492,719	2,124,000
Mutual Funds	—	—	—	—	84,812,600	—	—
Repurchase Agreements	—	13,835,000	—	—	—	—	—
U. S. and Foreign Government Obligations	—	6,931,000	—	—	95,121,183	—	—
Corporate Bonds/Notes/Debentures	—	—	—	—	59,440,365	—	—
Stocks	—	—	—	—	229,291,364	—	—
Mortgage Investments	—	—	—	—	45,560,113	—	—
Capital Assets							
Land	—	—	—	944,000	128,656	—	—
Buildings	—	—	—	2,800,000	108,724	—	—
Software	—	—	—	2,036,877	—	—	—
Machinery and Equipment	—	—	—	719,148	143,754	—	—
Construction in Progress	—	—	—	—	39,673	—	—
Accumulated Depreciation	—	—	—	(229,025)	(180,816)	—	—
<b>Total Assets</b>	<b>\$ 3,133,667</b>	<b>\$ 65,779,000</b>	<b>\$ 1,000</b>	<b>\$ 12,871,829,278</b>	<b>\$ 551,410,560</b>	<b>\$ 257,095,000</b>	<b>\$ 2,181,000</b>
<b>Liabilities</b>							
Accounts Payable and Other Accruals	\$ —	\$ 1,000	\$ —	\$ 5,669,976	\$ 67,925	\$ —	\$ —
Due to Other Funds	—	—	—	1,765,000	—	22,000	—
Due to Brokers for Securities Purchased	—	—	—	25,773,000	20,726,064	—	—
Salaries/Withholdings Payable	—	—	1,000	13,495,102	—	154,000	—
Deferred Revenue	—	—	—	—	—	—	—
Compensated Absences Payable	—	—	—	—	13,370	—	—
Capital Leases Payable	—	—	—	—	—	—	—
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 46,703,078</b>	<b>\$ 20,807,359</b>	<b>\$ 176,000</b>	<b>\$ 0</b>
<b>Net Assets</b>							
Held in Trust for Pension Benefits	<u>\$ 3,133,667</u>	<u>\$ 65,778,000</u>	<u>\$ 0</u>	<u>\$ 12,825,126,200</u>	<u>\$ 530,603,201</u>	<u>\$ 256,919,000</u>	<u>\$ 2,181,000</u>

Judges of the Probate Courts Retirement Fund	Legislative Retirement System	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Teachers' Retirement System	Total
\$ 262,273	\$ 29,528	\$ 4,385,215	\$ 25,000	\$ 65,710	\$ 147,277	\$ 112,000	\$ 2,242,629	\$ 24,173,783
—	—	—	—	285,857	474,789	—	222,521,000	299,092,280
8,113	—	1,292,550	—	—	—	—	35,101,000	50,674,586
—	—	—	3,000	3,546	346,595	—	147,021,378	167,612,283
1,832,331	—	24,800,530	—	(184,146)	—	—	—	62,285,975
—	27,839,492	105,290,772	738,491,000	—	27,705,957	1,140,000	597	13,947,331,975
—	—	—	—	5,069,148	—	—	—	89,881,748
—	—	—	—	—	—	—	738,569,000	752,404,000
10,198,726	—	75,107,792	—	13,883,146	37,249,200	—	14,411,316,750	14,649,807,797
10,104,329	—	42,819,080	—	8,026,536	—	—	2,663,898,250	2,784,288,560
33,500,267	—	128,433,976	—	33,778,361	—	—	27,121,761,000	27,546,764,968
—	—	—	—	—	—	—	—	45,560,113
—	—	5,000	—	—	—	—	944,000	2,021,656
—	—	305,296	—	—	—	—	2,800,000	6,014,020
—	—	—	—	—	—	—	14,979,770	17,016,647
—	—	145,113	—	—	—	—	1,263,300	2,271,315
—	—	—	—	—	—	—	—	39,673
—	—	(254,570)	—	—	—	—	(3,730,070)	(4,394,481)
<u>\$ 55,906,039</u>	<u>\$ 27,869,020</u>	<u>\$ 382,330,754</u>	<u>\$ 738,519,000</u>	<u>\$ 60,928,158</u>	<u>\$ 65,923,818</u>	<u>\$ 1,252,000</u>	<u>\$ 45,358,688,604</u>	<u>\$ 60,442,846,898</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,936	\$ —	\$ 8,013,223	\$ 13,762,060
—	12,000	—	—	—	—	—	—	1,799,000
77,542	—	1,309,721	—	—	—	—	71,674,000	119,560,327
108	22,000	—	589,000	—	—	38,000	319,381	14,618,591
—	—	—	—	—	10,223	—	—	10,223
—	—	—	—	15,321	—	—	—	28,691
—	—	9,901	—	—	—	—	—	9,901
<u>\$ 77,650</u>	<u>\$ 34,000</u>	<u>\$ 1,319,622</u>	<u>\$ 589,000</u>	<u>\$ 15,321</u>	<u>\$ 20,159</u>	<u>\$ 38,000</u>	<u>\$ 80,006,604</u>	<u>\$ 149,788,793</u>
<u>\$ 55,828,389</u>	<u>\$ 27,835,020</u>	<u>\$ 381,011,132</u>	<u>\$ 737,930,000</u>	<u>\$ 60,912,837</u>	<u>\$ 65,903,659</u>	<u>\$ 1,214,000</u>	<u>\$ 45,278,682,000</u>	<u>\$ 60,293,058,105</u>

# State of Georgia

## Combining Statement of Changes in Fiduciary Net Assets Pension Trust Funds For the Fiscal Year Ended June 30, 2005

	Class Nine Fire Department Pension Fund	Defined Contribution Plan	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund
<b>Additions:</b>							
Contributions							
Employer	\$ —	\$ —	\$ 96,000	\$ 243,074,000	\$ —	\$ 1,826,000	\$ —
Plan Members	40,615	14,651,000	—	49,973,000	2,177,053	4,779,000	—
Other Contributions	—	—	—	—	—	—	—
Fines and Bond Forfeitures	—	—	—	—	—	—	—
Insurance Company Premium Taxes	536,958	—	—	—	18,828,064	—	—
Other Fees	—	—	—	—	—	—	—
Interest and Other Investment Income	—	—	—	—	—	—	—
Dividends and Interest	771	1,522,944	—	330,193,404	10,865,098	6,525,719	37,187
Net Appreciation (Depreciation) in	—	—	—	—	—	—	—
Investments Reported at Fair Value	396,285	2,017,970	—	613,791,800	25,386,908	12,132,078	68,483
Less: Investment Expense	(17,508)	(43,308)	—	(13,666,747)	(2,140,743)	(235,059)	(2,321)
Other	—	—	—	—	—	—	—
Transfers from Other Funds	—	—	—	890,651	—	—	890,651
Transfers to Other Funds	—	—	—	(890,651)	—	—	—
Miscellaneous	150	—	—	—	67,768	175,000	—
<b>Total Additions</b>	<b>\$ 957,271</b>	<b>\$ 18,148,606</b>	<b>\$ 96,000</b>	<b>\$ 1,223,365,457</b>	<b>\$ 55,184,148</b>	<b>\$ 25,202,738</b>	<b>\$ 994,000</b>
<b>Deductions:</b>							
General and Administrative Expenses	\$ 38,923	\$ 310,000	\$ —	\$ 9,587,000	\$ 657,483	\$ 175,000	\$ —
Benefits	—	—	96,000	778,463,000	19,486,965	7,972,000	93,000
Refunds	3,000	10,042,000	—	6,510,000	199,212	93,000	—
<b>Total Deductions</b>	<b>\$ 41,923</b>	<b>\$ 10,352,000</b>	<b>\$ 96,000</b>	<b>\$ 794,560,000</b>	<b>\$ 20,343,660</b>	<b>\$ 8,240,000</b>	<b>\$ 93,000</b>
Change in Net Assets Held in Trust for Pension Benefits	\$ 915,348	\$ 7,796,606	\$ 0	\$ 428,805,457	\$ 34,840,488	\$ 16,962,738	\$ 901,000
Net Assets, July 1	2,218,319	57,981,394	0	12,396,320,743	511,018,546	239,956,262	1,280,000
Correction of Prior Year Error	—	—	—	—	(15,255,833)	—	—
Open Trades	—	—	—	—	—	—	—
<b>Net Assets, June 30</b>	<b>\$ 3,133,667</b>	<b>\$ 65,778,000</b>	<b>\$ 0</b>	<b>\$ 12,825,126,200</b>	<b>\$ 530,603,201</b>	<b>\$ 256,919,000</b>	<b>\$ 2,181,000</b>

Judges of the Probate Courts Retirement Fund	Legislative Retirement System	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Teachers' Retirement System	Total
\$ —	\$ 54,000	\$ —	\$ 840,000	\$ —	\$ —	\$ 1,947,000	\$ 813,753,646	\$ 1,061,590,646
161,091	302,020	3,212,567	1,352,000	127,988	150,616	14,000	464,931,000	541,871,950
491,345	—	17,750,184	—	2,477,261	1,036,406	—	—	21,755,196
—	—	—	—	—	—	—	—	19,365,022
348,462	—	—	—	—	2,269,935	—	—	2,618,397
1,466,719	721,184	10,268,342	19,122,344	1,816,537	2,848,396	29,046	1,146,655,000	1,532,072,691
1,664,611	1,340,763	10,929,590	35,548,521	1,443,617	2,306,898	53,996	2,172,591,000	2,879,672,520
(381,868)	(27,867)	(1,252,500)	(700,865)	(279,879)	(19,042)	(3,042)	(39,741,000)	(58,511,749)
—	—	—	587,500	—	—	—	1,939,354	4,308,156
—	—	—	—	—	—	—	—	(890,651)
—	110,000	48,525	—	5,348	13,621	30,000	—	450,412
\$ 3,750,360	\$ 2,500,100	\$ 40,956,708	\$ 56,749,500	\$ 5,590,872	\$ 8,606,830	\$ 2,071,000	\$ 4,560,129,000	\$ 6,004,302,590
\$ 55,190	\$ 110,000	\$ 582,491	\$ 587,500	\$ 253,218	\$ 133,316	\$ 30,000	\$ 19,558,000	\$ 32,078,121
2,123,991	1,553,000	15,169,774	41,016,000	3,208,041	3,322,591	1,947,000	1,799,478,000	2,673,929,362
15,782	69,000	234,310	287,000	16,090	10,450	—	50,491,000	67,970,844
\$ 2,194,963	\$ 1,732,000	\$ 15,986,575	\$ 41,890,500	\$ 3,477,349	\$ 3,466,357	\$ 1,977,000	\$ 1,869,527,000	\$ 2,773,978,327
\$ 1,555,397	\$ 768,100	\$ 24,970,133	\$ 14,859,000	\$ 2,113,523	\$ 5,140,473	\$ 94,000	\$ 2,690,602,000	\$ 3,230,324,263
54,272,992	27,066,920	356,040,999	723,071,000	58,799,314	60,763,186	1,120,000	42,588,080,000	57,077,989,675
—	—	—	—	—	—	—	—	(15,255,833)
\$ 55,828,389	\$ 27,835,020	\$ 381,011,132	\$ 737,930,000	\$ 60,912,837	\$ 65,903,659	\$ 1,214,000	\$ 45,278,682,000	\$ 60,293,058,105

# State of Georgia

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## Combining Statement of Fiduciary Net Assets Investment Trust Funds June 30, 2005

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 153,222,374	\$ 2,601,575,351	\$ 1,929,857	\$ 2,756,727,582
Investments, at Fair Value				
Pooled Investments	309,616,753	636,673,592	28,386,279	974,676,624
Interest Receivable	—	—	29,192	29,192
Total Assets	\$ 462,839,127	\$ 3,238,248,943	\$ 30,345,328	\$ 3,731,433,398
<b>Net Assets</b>				
Held in Trust for Pool Participants	\$ 462,839,127	\$ 3,238,248,943	\$ 30,345,328	\$ 3,731,433,398

# State of Georgia

## Combining Statement of Changes in Fiduciary Net Assets Investment Trust Funds For the Fiscal Year Ended June 30, 2005

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
<b>Additions:</b>				
Pool Participant Deposits	\$ 57,300,857	\$ 5,264,557,190	\$ 3,971,447	\$ 5,325,829,494
Interest and Other Investment Income				
Dividends and Interest	17,890,583	71,976,356	708,625	90,575,564
Net Depreciation in Fair Value of Investments	(3,634,654)	—	(313,903)	(3,948,557)
Less: Investment Expense	—	(1,012,458)	(91,441)	(1,103,899)
Total Additions	\$ 71,556,786	\$ 5,335,521,088	\$ 4,274,728	\$ 5,411,352,602
<b>Deductions:</b>				
Pool Participant Withdrawals	\$ 361,279,258	\$ 5,182,680,628	\$ 484,718	\$ 5,544,444,604
Change in Net Assets Held in Trust for Pool Participants	\$ (289,722,472)	\$ 152,840,460	\$ 3,790,010	\$ (133,092,002)
Net Assets, July 1	752,561,599	3,085,408,483	0	3,837,970,082
Adjustments	—	—	26,555,318	26,555,318
Net Assets, June 30	\$ 462,839,127	\$ 3,238,248,943	\$ 30,345,328	\$ 3,731,433,398

# State of Georgia

## Combining Statement of Fiduciary Net Assets Private Purpose Trust Funds June 30, 2005

	Auctioneers Recovery Fund	Real Estate Recovery Fund	Subsequent Injury Trust Fund	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 404,598	\$ 1,965,243	\$ 6,547,995	\$ 8,917,836
Investments, at Fair Value				
Pooled Investments	—	370,839	1,476,688	1,847,527
Capital Assets				
Machinery and Equipment	—	—	172,124	172,124
Accumulated Depreciation	—	—	(123,769)	(123,769)
<b>Total Assets</b>	<b>\$ 404,598</b>	<b>\$ 2,336,082</b>	<b>\$ 8,073,038</b>	<b>\$ 10,813,718</b>
<b>Liabilities</b>				
Accounts Payable and Other Accruals	\$ —	\$ —	\$ 21,128	\$ 21,128
Due to Other Funds	—	—	10	10
Compensated Absences Payable	—	—	124,333	124,333
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 145,471</b>	<b>\$ 145,471</b>
<b>Net Assets</b>				
Held in Trust for Other Purposes	<b>\$ 404,598</b>	<b>\$ 2,336,082</b>	<b>\$ 7,927,567</b>	<b>\$ 10,668,247</b>

# State of Georgia

## Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust Funds For the Fiscal Year Ended June 30, 2005

	Auctioneers Recovery Fund	Real Estate Recovery Fund	Subsequent Injury Trust Fund	Total
<b>Additions:</b>				
Contributions/Assessments				
Participants	\$ 22,078	\$ 238,858	\$ 94,431,692	\$ 94,692,628
Interest and Other Investment Income				
Dividends and Interest	5,629	40,779	1,002,440	1,048,848
Other				
Miscellaneous	—	—	1,527	1,527
Total Additions	\$ 27,707	\$ 279,637	\$ 95,435,659	\$ 95,743,003
<b>Deductions:</b>				
General and Administrative Expenses	\$ 10,018	\$ 87,634	\$ 2,321,067	\$ 2,418,719
Benefits	—	—	94,349,657	94,349,657
Total Deductions	\$ 10,018	\$ 87,634	\$ 96,670,724	\$ 96,768,376
Change in Net Assets Held in Trust for Other Purposes	\$ 17,689	\$ 192,003	\$ (1,235,065)	\$ (1,025,373)
Net Assets, July 1	386,909	2,144,079	9,162,632	11,693,620
Net Assets, June 30	\$ 404,598	\$ 2,336,082	\$ 7,927,567	\$ 10,668,247

# State of Georgia

## Combining Statement of Fiduciary Assets and Liabilities

### Agency Funds

June 30, 2005

	Child Support Recovery Program	County Medicaid Administrative Funds	Detainees' Accounts	Flexible Benefits Program	Railroad Car Tax	Real Estate Transfer Tax	Education Local Option
<b>Assets</b>							
Cash and Cash Equivalents	\$ (2,294,062)	\$ 3,747,612	\$ 18,028,055	\$ 10,817,991	\$ 974,638	\$ 1,922,722	\$ 87,532,882
Accounts Receivable	—	—	—	—	—	—	—
Investments, at Fair Value	—	—	—	—	—	—	—
Certificates of Deposit	—	—	—	—	—	—	—
Pooled Investments	—	—	—	2,093,083	114,964	—	21,421,676
Other Assets	—	—	—	2,037,059	—	—	—
<b>Total Assets</b>	<b>\$ (2,294,062)</b>	<b>\$ 3,747,612</b>	<b>\$ 18,028,055</b>	<b>\$ 14,948,133</b>	<b>\$ 1,089,602</b>	<b>\$ 1,922,722</b>	<b>\$ 108,954,558</b>
<b>Liabilities</b>							
Accounts Payable and Other Accruals	\$ —	\$ 2,279,087	\$ —	\$ 1,449,938	\$ —	\$ —	\$ —
Funds Held for Others	(2,294,062)	1,468,525	18,028,055	13,498,195	1,089,602	1,922,722	108,954,558
Other Liabilities	—	—	—	—	—	—	—
<b>Total Liabilities</b>	<b>\$ (2,294,062)</b>	<b>\$ 3,747,612</b>	<b>\$ 18,028,055</b>	<b>\$ 14,948,133</b>	<b>\$ 1,089,602</b>	<b>\$ 1,922,722</b>	<b>\$ 108,954,558</b>

Sales Tax Collections for Local Governments				Telecom- munications				
Homestead Option	Local Option	MARTA	Special Purpose Local Option	Relay Service Fund	Universal Service Fund	Miscellaneous	Total	
\$ 6,862,584	\$ 77,283,674	\$ 20,411,330	\$ 64,621,102	\$ 13,093,487	\$ 30,158,628	\$ 13,941,846	\$ 347,102,489	
—	—	—	—	—	—	(239,366)	(239,366)	
—	—	—	—	—	—	2,962,683	2,962,683	
1,679,454	18,943,999	4,995,187	15,814,476	3,179,734	—	2,530,626	70,773,199	
—	—	—	—	—	—	90	2,037,149	
<u>\$ 8,542,038</u>	<u>\$ 96,227,673</u>	<u>\$ 25,406,517</u>	<u>\$ 80,435,578</u>	<u>\$ 16,273,221</u>	<u>\$ 30,158,628</u>	<u>\$ 19,195,879</u>	<u>\$ 422,636,154</u>	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,200,339	\$ 4,929,364	
8,542,038	96,227,673	(50,852,680)	80,435,578	16,273,221	30,158,628	17,894,359	341,346,412	
—	—	76,259,197	—	—	—	101,181	76,360,378	
<u>\$ 8,542,038</u>	<u>\$ 96,227,673</u>	<u>\$ 25,406,517</u>	<u>\$ 80,435,578</u>	<u>\$ 16,273,221</u>	<u>\$ 30,158,628</u>	<u>\$ 19,195,879</u>	<u>\$ 422,636,154</u>	

# State of Georgia

## Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Child Support Recovery Program</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 1,813,412	\$ 731,792,652	\$ 735,900,126	\$ (2,294,062)
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ 1,813,412	\$ 765,115,080	\$ 769,222,554	\$ (2,294,062)
<b>County Medicaid Administrative Funds</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ (20,357)	\$ 14,413,212	\$ 10,645,243	\$ 3,747,612
Accounts Receivable	2,365,398	9,760,244	12,125,642	0
Total Assets	\$ 2,345,041	\$ 24,173,456	\$ 22,770,885	\$ 3,747,612
<b><u>Liabilities</u></b>				
Accounts Payable and Other Accruals	\$ 0	\$ 10,349,060	\$ 8,069,973	\$ 2,279,087
Funds Held for Others	2,345,041	9,805,164	10,681,680	1,468,525
Total Liabilities	\$ 2,345,041	\$ 20,154,224	\$ 18,751,653	\$ 3,747,612
<b>Detainees' Accounts</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 30,982,902	\$ 18,212,159	\$ 31,167,006	\$ 18,028,055
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ 30,982,902	\$ 18,212,159	\$ 31,167,006	\$ 18,028,055
<b>Flexible Benefits Program</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 8,647,252	\$ 153,582,062	\$ 151,411,323	\$ 10,817,991
Accounts Receivable	2,754,776	591,503	3,346,279	0
Investments	3,033,728	2,093,083	3,033,728	2,093,083
Other Assets	0	2,996,582	959,523	2,037,059
Total Assets	\$ 14,435,756	\$ 159,263,230	\$ 158,750,853	\$ 14,948,133
<b><u>Liabilities</u></b>				
Accounts Payable and Other Accruals	\$ 0	\$ 93,208,182	\$ 91,758,244	\$ 1,449,938
Funds Held for Others	14,435,756	152,873,994	153,811,555	13,498,195
Total Liabilities	\$ 14,435,756	\$ 246,082,176	\$ 245,569,799	\$ 14,948,133
<b>Railroad Car Tax</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 2,950,444	\$ 10,344,910	\$ 12,320,716	\$ 974,638
Investments	3,631,811	131,826	3,648,673	114,964
Total Assets	\$ 6,582,255	\$ 10,476,736	\$ 15,969,389	\$ 1,089,602
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ 6,582,255	\$ 6,713,099	\$ 12,205,752	\$ 1,089,602

# State of Georgia

## Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Real Estate Transfer Tax</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ (10,077,278)	\$ 12,000,000	\$ —	\$ 1,922,722
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ (10,077,278)	\$ 12,000,000	\$ —	\$ 1,922,722
<b>Sales Tax Collections for Local Governments</b>				
<b>Education Local Option Sales Tax</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 50,511,817	\$ 1,387,764,482	\$ 1,350,743,417	\$ 87,532,882
Investments	61,944,777	21,709,276	62,232,377	21,421,676
Total Assets	\$ 112,456,594	\$ 1,409,473,758	\$ 1,412,975,794	\$ 108,954,558
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ 112,456,594	\$ 1,325,819,705	\$ 1,329,321,741	\$ 108,954,558
<b>Homestead Option Sales Tax</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 3,890,950	\$ 106,722,976	\$ 103,751,342	\$ 6,862,584
Investments	4,771,601	1,701,608	4,793,755	1,679,454
Total Assets	\$ 8,662,551	\$ 108,424,584	\$ 108,545,097	\$ 8,542,038
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ 8,662,551	\$ 101,951,375	\$ 102,071,888	\$ 8,542,038
<b>Local Option Sales Tax</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 39,243,358	\$ 1,169,431,892	\$ 1,131,391,576	\$ 77,283,674
Investments	48,276,459	19,168,140	48,500,600	18,943,999
Total Assets	\$ 87,519,817	\$ 1,188,600,032	\$ 1,179,892,176	\$ 96,227,673
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ 87,519,817	\$ 1,121,155,433	\$ 1,112,447,577	\$ 96,227,673
<b>MARTA Sales Tax</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 10,796,038	\$ 313,956,375	\$ 304,341,083	\$ 20,411,330
Investments	13,239,542	5,056,656	13,301,011	4,995,187
Total Assets	\$ 24,035,580	\$ 319,013,031	\$ 317,642,094	\$ 25,406,517
<b><u>Liabilities</u></b>				
Funds Held for Others	\$ 24,035,580	\$ 303,176,378	\$ 378,064,638	\$ (50,852,680)
Other Liabilities	0	303,114,910	226,855,713	76,259,197
Total Liabilities	\$ 24,035,580	\$ 606,291,288	\$ 604,920,351	\$ 25,406,517

(continued)

# State of Georgia

## Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds (continued) For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Sales Tax Collections for Local Governments (continued)</b>				
Special Purpose Local Option Sales Tax				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 37,380,269	\$ 1,000,738,256	\$ 973,497,423	\$ 64,621,102
Investments	45,840,671	16,027,307	46,053,502	15,814,476
Total Assets	<u>\$ 83,220,940</u>	<u>\$ 1,016,765,563</u>	<u>\$ 1,019,550,925</u>	<u>\$ 80,435,578</u>
<b><u>Liabilities</u></b>				
Funds Held for Others	<u>\$ 83,220,940</u>	<u>\$ 954,897,585</u>	<u>\$ 957,682,947</u>	<u>\$ 80,435,578</u>
<b>Telecommunications Relay Service Fund</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 9,436,144	\$ 10,662,543	\$ 7,005,200	\$ 13,093,487
Investments	4,616,807	3,179,734	4,616,807	3,179,734
Total Assets	<u>\$ 14,052,951</u>	<u>\$ 13,842,277</u>	<u>\$ 11,622,007</u>	<u>\$ 16,273,221</u>
<b><u>Liabilities</u></b>				
Funds Held for Others	<u>\$ 14,052,951</u>	<u>\$ 6,045,736</u>	<u>\$ 3,825,466</u>	<u>\$ 16,273,221</u>
<b>Universal Service Fund</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	<u>\$ 26,997,728</u>	<u>\$ 12,907,501</u>	<u>\$ 9,746,601</u>	<u>\$ 30,158,628</u>
<b><u>Liabilities</u></b>				
Funds Held for Others	<u>\$ 26,997,728</u>	<u>\$ 12,907,501</u>	<u>\$ 9,746,601</u>	<u>\$ 30,158,628</u>
<b>Miscellaneous</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 27,030,929	\$ 54,876,023	\$ 67,965,106	\$ 13,941,846
Accounts Receivable	0	126,723	366,089	(239,366)
Investments	7,373,270	4,462,949	6,342,910	5,493,309
Other Assets	90	—	—	90
Total Assets	<u>\$ 34,404,289</u>	<u>\$ 59,465,695</u>	<u>\$ 74,674,105</u>	<u>\$ 19,195,879</u>
<b><u>Liabilities</u></b>				
Accounts Payable and Other Accruals	\$ 0	\$ 12,749,379	\$ 11,549,040	\$ 1,200,339
Funds Held for Others	34,404,289	42,838,270	59,348,200	17,894,359
Other Liabilities	0	117,344	16,163	101,181
Total Liabilities	<u>\$ 34,404,289</u>	<u>\$ 55,704,993</u>	<u>\$ 70,913,403</u>	<u>\$ 19,195,879</u>

# State of Georgia

## Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 239,583,608	\$ 4,997,405,043	\$ 4,889,886,162	\$ 347,102,489
Accounts Receivable	5,120,174	10,478,470	15,838,010	(239,366)
Investments	192,728,666	73,530,579	192,523,363	73,735,882
Other Assets	90	2,996,582	959,523	2,037,149
Total Assets	<u>\$ 437,432,538</u>	<u>\$ 5,084,410,674</u>	<u>\$ 5,099,207,058</u>	<u>\$ 422,636,154</u>
<b><u>Liabilities</u></b>				
Accounts Payable and Other Accruals	\$ 0	\$ 116,306,621	\$ 111,377,257	\$ 4,929,364
Funds Held for Others	437,432,538	4,833,511,479	4,929,597,605	341,346,412
Other Liabilities	0	303,232,254	226,871,876	76,360,378
Total Liabilities	<u>\$ 437,432,538</u>	<u>\$ 5,253,050,354</u>	<u>\$ 5,267,846,738</u>	<u>\$ 422,636,154</u>

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## STATISTICAL SECTION

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# State of Georgia

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## Statistical Section

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# State of Georgia

## General Governmental Expenditures by Function For the Last Ten Fiscal Years Table 1

	2005	2004	2003	2002 (2)
Expenditures by Function				
General Government	\$ 1,088,654,688	\$ 978,666,019	\$ 997,061,176	\$ 839,638,787
Education	8,359,397,722	8,014,841,613	7,948,434,294	7,567,495,024
Health and Welfare	11,861,216,558	11,374,110,593	10,249,540,459	10,090,828,968
Transportation	1,804,447,522	1,701,666,289	1,681,771,067	1,716,885,005
Public Safety	1,696,259,861	1,692,289,175	1,755,103,118	1,686,970,829
Economic Development and Assistance	688,658,010	728,330,262	742,168,497	708,073,548
Culture and Recreation	246,260,644	240,503,897	236,630,788	235,249,403
Conservation	57,677,302	48,623,984	56,667,758	86,890,618
Capital Outlay	485,995,416	837,904,318	825,244,881	761,809,692
Debt Service	858,429,125	854,401,093	849,930,526	766,751,641
Total General Governmental Expenditures	<u>\$ 27,146,996,848</u>	<u>\$ 26,471,337,243</u>	<u>\$ 25,342,552,564</u>	<u>\$ 24,460,593,515</u>

- (1) Prior to fiscal year 2002, this summary included expenditures of the State's governmental fund types which included the General Fund, Capital Projects Funds, and the Debt Service Fund. The General fund reported expenditures in the Education function for funds that were reclassified due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34.
- (2) Beginning in fiscal year 2002, this summary includes expenditures of the State's major and nonmajor governmental funds. These changes were necessary because of implementing GASB Statement 34. The comparability of 2002 expenditure amounts to the 2001 and prior period amounts is affected.

<u>2001 (1)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 788,458,919	\$ 822,268,403	\$ 744,530,087	\$ 653,302,692	\$ 637,247,287	\$ 471,240,748
7,752,818,250	6,957,849,312	6,531,830,567	6,155,220,908	5,700,389,994	4,998,994,142
8,300,962,838	7,498,521,721	6,786,022,660	6,479,723,177	6,796,847,561	6,558,077,298
1,626,360,119	1,581,318,460	1,638,089,933	1,385,250,996	1,113,788,591	1,287,172,005
1,587,054,229	1,443,073,761	1,333,092,110	1,193,748,916	1,124,542,047	1,104,443,315
455,033,691	453,860,928	347,537,124	264,913,965	263,090,507	294,112,317
205,578,201	203,220,402	192,199,439	185,622,125	170,667,100	169,961,642
84,148,200	49,256,757	51,118,994	45,865,385	48,769,799	46,557,857
522,931,260	337,817,613	392,319,581	346,296,387	373,677,146	391,876,879
<u>704,233,985</u>	<u>702,751,701</u>	<u>681,973,633</u>	<u>645,791,398</u>	<u>629,588,332</u>	<u>571,524,445</u>
 \$ <u>22,027,579,692</u>	 \$ <u>20,049,939,058</u>	 \$ <u>18,698,714,128</u>	 \$ <u>17,355,735,949</u>	 \$ <u>16,858,608,364</u>	 \$ <u>15,893,960,648</u>

# State of Georgia

## General Governmental Revenues by Source For the Last Ten Fiscal Years Table 2

	2005	2004	2003	2002 (2)
Revenues by Source				
Taxes	\$ 14,828,284,294	\$ 13,734,734,437	\$ 12,960,192,619	\$ 12,896,370,809
Licenses and Permits	496,178,286	452,008,366	425,769,954	448,262,755
Intergovernmental	10,152,667,272	10,226,522,178	8,905,213,549	8,189,311,370
Sales and Services	1,732,901,939	1,657,988,958	1,148,834,792	1,678,090,064
Fines and Forfeits	265,707,928	238,662,387	270,340,895	257,484,265
Interest and Other Investment Income	103,154,917	36,426,640	191,236,678	244,858,100
Rents and Royalties	16,199,445	18,979,138	16,352,572	15,674,924
Contributions and Donations	76,531,183	53,239,450	322,726,754	229,162,798
Penalties and Interest on Taxes	8,542,374	4,826,548	7,750,152	6,457,440
Unclaimed Property	75,352,829	54,073,942	43,718,971	40,658,447
Lottery Proceeds	802,083,000	801,381,437	751,557,000	726,202,000
Nursing Home Provider Fees	99,271,176	92,767,929	(3)	(3)
Other Revenue	111,613,148	31,607,453	(2,299,410)	75,385,885
Total General Governmental Revenues	\$ 28,768,487,791	\$ 27,403,218,863	\$ 25,041,394,526	\$ 24,807,918,857

- (1) Prior to fiscal year 2002, this summary included revenues of the State's governmental fund types which included the General Fund, Capital Projects Funds, and the Debt Service Fund. The General Fund reported revenues for funds that were reclassified due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34.
- (2) Beginning in fiscal year 2002, this summary includes revenues of the State's major and nonmajor governmental funds. These changes were necessary because of the implementation of GASB Statement No. 34. The comparability of 2002 revenue amounts to the 2001 and prior period amounts is affected.
- (3) Beginning in fiscal year 2004, the State's General Governmental Revenues include Nursing Home Provider Fees. Nursing homes meeting certain criteria were assessed a provider fee pursuant to OCGA 31-8-164.

	<u>2001 (1)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$	13,695,968,855	\$ 12,966,453,323	\$ 12,021,751,940	\$ 11,439,170,422	\$ 10,483,497,704	\$ 9,891,126,837
	440,808,678	410,024,861	397,962,567	346,081,148	351,181,927	343,118,630
	7,279,299,131	6,499,451,114	5,923,606,145	5,617,029,811	5,549,805,877	5,457,487,877
	565,762,607	629,416,207	581,123,782	536,827,964	513,909,314	363,320,801
	214,379,855	246,188,571	41,657,448	49,204,317	50,426,165	32,022,270
	502,015,939	348,716,046	300,699,674	275,999,300	239,306,741	242,059,488
	17,355,972	15,555,365	16,872,007	13,920,492	9,992,943	17,600,277
	206,596,674	274,246,976	187,061,598	192,209,388	190,841,985	169,020,652
	9,684,355	8,045,497	5,991,314	9,485,653	6,699,639	9,082,163
	41,157,538	45,530,760	26,104,874	20,690,958	20,118,021	25,809,698
	(1)	(1)	(1)	(1)	(1)	(1)
	(3)	(3)	(3)	(3)	(3)	(3)
	<u>26,408,330</u>	<u>14,876,905</u>	<u>7,209,322</u>	<u>5,409,857</u>	<u>32,522,511</u>	<u>6,781,951</u>
\$	<u>22,999,437,934</u>	\$ <u>21,458,505,625</u>	\$ <u>19,510,040,671</u>	\$ <u>18,506,029,310</u>	\$ <u>17,448,302,827</u>	\$ <u>16,557,430,644</u>

# State of Georgia

## State Tax Revenues by Source – All Governmental Funds For the Last Ten Fiscal Years Table 3

	2005	2004	2003	2002
Source:				
Income (2) (3)	\$ 7,826,572,413	\$ 7,346,739,705	\$ 6,833,114,887	\$ 7,149,142,900
General Sales (1)	5,309,167,258	4,799,239,558	4,933,003,788	4,563,023,950
Selective Sales				
Motor Fuel (1)	821,867,496	731,367,774	465,171,917	458,562,074
Alcoholic Beverages	150,039,325	149,561,385	139,729,491	143,088,389
Cigars/Cigarettes	248,889,176	229,443,238	111,322,327	83,501,666
Insurance Premium	331,553,401	317,462,533	299,341,515	277,703,346
Estate	42,657,247	65,674,480	88,496,147	123,033,505
Property	66,617,916	63,524,662	61,078,969	55,635,434
Corporation Net Worth (2)	29,948,246	30,645,073	27,868,334	29,346,195
Other (3)	971,816	1,076,030	1,065,244	13,333,350
Total Tax Revenues - All Governmental Funds	\$ 14,828,284,294	\$ 13,734,734,437	\$ 12,960,192,619	\$ 12,896,370,809

(1) Prepaid Motor fuel Sales Tax is included in Selective Sales - Motor Fuel effective 2004 (reported as General Sales prior to 2004).

(2) Amounts restated between revenue functions are due to prior errors of adjusting certain tax revenue against Corporation Net Worth. (1995-2000)

(3) Financial Institution Business Occupation Tax is included in Income Tax effective 2003 (reported as Other prior to 2003)

Source: Georgia Comprehensive Annual Financial Report

Note: Governmental Funds are described in the Notes to the Financial Statements.

	2001		2000		1999		1998		1997		1996
\$	7,473,304,675	\$	7,108,385,607	\$	6,646,175,462	\$	6,218,387,032	\$	5,490,241,749	\$	4,962,182,220
	5,127,697,977		4,709,213,152		4,323,189,194		4,238,397,531		4,062,494,318		3,954,442,920
	444,185,975		447,580,578		428,150,221		405,269,766		387,418,653		391,550,566
	139,642,983		139,189,273		132,903,384		126,825,895		124,667,603		121,702,379
	81,777,839		83,012,695		87,355,714		80,051,470		76,391,777		91,248,012
	223,190,967		239,710,645		211,908,338		212,839,904		204,744,512		196,508,650
	126,114,453		148,254,987		111,192,262		84,808,642		60,295,856		66,538,071
	49,042,785		44,606,200		40,727,315		36,021,442		35,630,751		33,091,530
	20,371,629		33,317,137		25,388,604		24,013,610		22,491,188		23,722,938
	10,639,572		13,183,049		14,761,446		12,555,130		19,121,297		50,139,551
\$	<u>13,695,968,855</u>	\$	<u>12,966,453,323</u>	\$	<u>12,021,751,940</u>	\$	<u>11,439,170,422</u>	\$	<u>10,483,497,704</u>	\$	<u>9,891,126,837</u>

# State of Georgia

## Principal Nongovernmental Employers

June 30, 2005

Table 4

Company	Number of Employees
Wal-Mart Stores, Incorporated	51,580
Delta Air Lines, Incorporated *	20,600
Publix Super Markets, Incorporated	20,000
The Kroger Company	20,000
Shaw Industries, Incorporated *	19,000
BellSouth Corporation *	18,700
Mohawk Industries Incorporated *	17,186
United Parcel Service Incorporated *	13,000
The Home Depot Incorporated*	12,740
The Southern Company/Georgia Power Company *	12,661
Cox Enterprises, Incorporated *	10,518
Georgia-Pacific Corporation *	10,200
Target Corporation	10,000
WellStar Health System	9,900
Emory System of Health Care*	8,400

\* Indicates Georgia Headquarters

Source: Georgia Department of Economic Development - September, 2005

# State of Georgia

## Computation of Legal Debt Margin

June 30, 2005

Table 5

Treasury Receipts - Fiscal Year Ended June 30, 2004 (1)	\$ 15,527,985,501
<b>Legal Debt Margin:</b>	
Highest Annual Commitments Permitted Under Constitutional Limitation (10% of above)	\$ 1,552,798,550
Highest Total Annual Commitments in any Fiscal Year (Highest FY 2006)	\$ 932,636,052
As a Percentage of FY 2004 State Treasury Receipts	6.01%
As a Percentage of FY 2005 State Treasury Receipts	5.56%

(1) Includes Indigent Care Trust Fund Receipts, Lottery Proceeds and Tobacco Settlement Funds

Source: Georgia State Financing and Investment Commission

**Ratio of Annual Debt Service Expenditures For  
General Obligation Debt to Total  
General Governmental Expenditures (1)  
For the Last Ten Fiscal Years**  
Table 6

Fiscal Year	General Bonded Debt			General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest and Other Fiscal Charges	Total Debt Service		
2005	\$ 524,515,000	\$ 327,965,321	\$ 852,480,321	\$ 27,146,996,848	3.14%
2004	507,045,000	335,239,660	842,284,660	26,471,337,243	3.18%
2003	510,945,000	332,934,059	843,879,059	25,342,552,564	3.33%
2002	449,200,000	310,626,904	759,826,904	24,460,593,515	3.11%
2001	395,515,000	292,821,352	688,336,352	22,027,579,692	3.12%
2000	434,875,000	260,790,770	695,665,770	20,049,939,058	3.47%
1999	448,960,000	230,772,839	679,732,839	18,698,714,128	3.64%
1998	387,030,000	258,317,069	645,347,069	17,355,735,949	3.72%
1997	392,165,000	236,835,498	629,000,498	16,858,608,364	3.73%
1996	352,300,000	218,523,118	570,823,118	15,893,960,648	3.59%

(1) See Table 1, Total General Governmental Expenditures

Source: Georgia Comprehensive Annual Financial Report

# State of Georgia

## Demographic Statistics For the Last Ten Calendar Years Table 7

Year	Population	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2005	9,072,576	—	1,598,461	5.20%
2004	8,829,383	30,074	1,553,437	4.70%
2003	8,684,715	28,890	1,522,611	4.00%
2002	8,560,310	28,683	1,496,012	5.10%
2001	8,383,915	28,523	1,470,634	4.00%
2000	8,186,453	28,103	1,444,937	3.70%
1999	7,788,240	26,536	1,422,941	4.00%
1998	7,642,207	25,447	1,401,291	4.20%
1997	7,486,242	23,911	1,346,761	4.50%
1996	7,353,225	23,055	1,311,126	4.60%

Source: Population - U. S. Department of Commerce, Bureau of the Census (estimate reference date: July 1)  
 Per Capita Income - U. S. Department of Commerce, Bureau of Economic Analysis (updated as of September 2005)  
 Public School Enrollment - Georgia Department of Education (October enrollment count)  
 Unemployment Rate - Georgia Department of Labor (November 2005)

## Schedule of Bank Deposits For the Last Ten Years (Dollars in Thousands) Table 8

Fiscal Year	Commercial Banks	Savings and Loan Associations	Total Deposits
2005	\$ 143,872,081	\$ 5,296,200	\$ 149,168,281
2004	126,884,144	5,156,601	132,040,745
2003	119,436,825	5,445,457	124,882,282
2002	103,777,634	5,567,504	109,345,138
2001	107,703,666	4,815,840	112,519,506
2000	92,541,946	3,995,466	96,537,412
1999	44,295,000	4,600,000	48,895,000
1998	77,505,212	4,191,658	81,696,870
1997	42,235,312	4,798,940	47,034,252
1996	91,933,990	4,640,878	96,574,868

Source: Federal Reserve Bank of Atlanta, Research Department

# State of Georgia

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## Miscellaneous Statistics

June 30, 2005

Table 9

Date Entered Union	January 2, 1788
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	18,084
Land Area	59,441 Square Miles

### State Colleges and Universities:

Number of Separate Institutions	35
Number of Active Educators	9,335
Number of Students	250,659

### Recreation:

Number of State Parks	48
Number of Historic Sites	15
Area of State Parks and Historic Sites	72,835 Acres

### Sources:

Facts About the States, 1989 - Kane, Anzovin, Podell  
Georgia Descriptions in Data, 1988 - Georgia Office of Planning and Budget  
State and Metropolitan Area Data Book, 1991 - U. S. Department of Commerce  
Georgia Department of Transportation  
Board of Regents of the University System of Georgia  
Georgia Department of Natural Resources

